

# **Economic Intelligence Weekly Review**

**14 September 1978**

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

14 September 1978

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### EUROPEAN JOINT FLOAT: RENEWED PRESSURES

The continued strength of the West German mark is creating pressure on the European currency float or "snake,"\* illustrating some of the hurdles on the path of the broader European Monetary System.

The movement of funds out of US dollars this summer, coupled with a continuing divergence in economic trends among snake participants, has given rise to uncertainty about the future of the weaker snake currencies. Float members intervened heavily in the market last month to keep the deutsche mark from exceeding the upper intervention limits against other snake currencies. Tension within the six-member snake is disconcerting to European political leaders who are pushing for the establishment of a monetary system that would include all EC currencies in a supersnake.

\* The joint float is a monetary arrangement under which Belgium/Luxembourg, Denmark, the Netherlands, Norway, and West Germany have agreed to maintain their exchange rates within a fixed band of 2.25 percent while floating against other major currencies.

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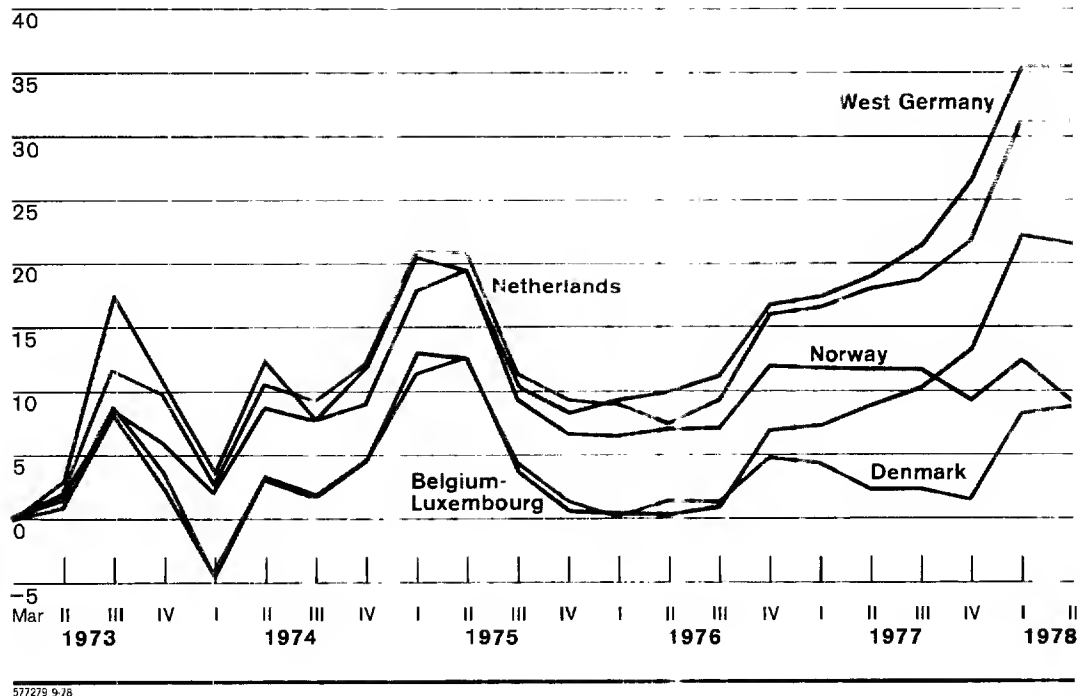
**Recent Pressures**

The Belgium, Danish, Dutch, and Norwegian currencies have failed to keep up with the recent surge in the deutsche mark, which appreciated nearly 7 percent against the dollar from the end of June to its record high in mid-August. In the past few weeks, the Bundesbank has stepped up purchases of dollars in the exchange markets, in part to keep the West German mark from exceeding the upper snake

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**European Snake Countries: Exchange Rate Changes Against the US Dollar**

Percent change over March 1973



limits. At the same time, the Belgian, Danish, and West German central banks have been buying substantial amounts of Danish and Norwegian kroner for deutsche marks to keep the two weaker currencies from falling through the snake floor. In early August, bank discount rates were changed in Belgium and the Netherlands in a coordinated effort to encourage more favorable capital flows.

The low West German inflation rate is the most significant factor producing pressure for another realignment in snake currency parities. The Dutch guilder and the Belgian franc were last devalued against the mark in October 1976, by 2 percent.

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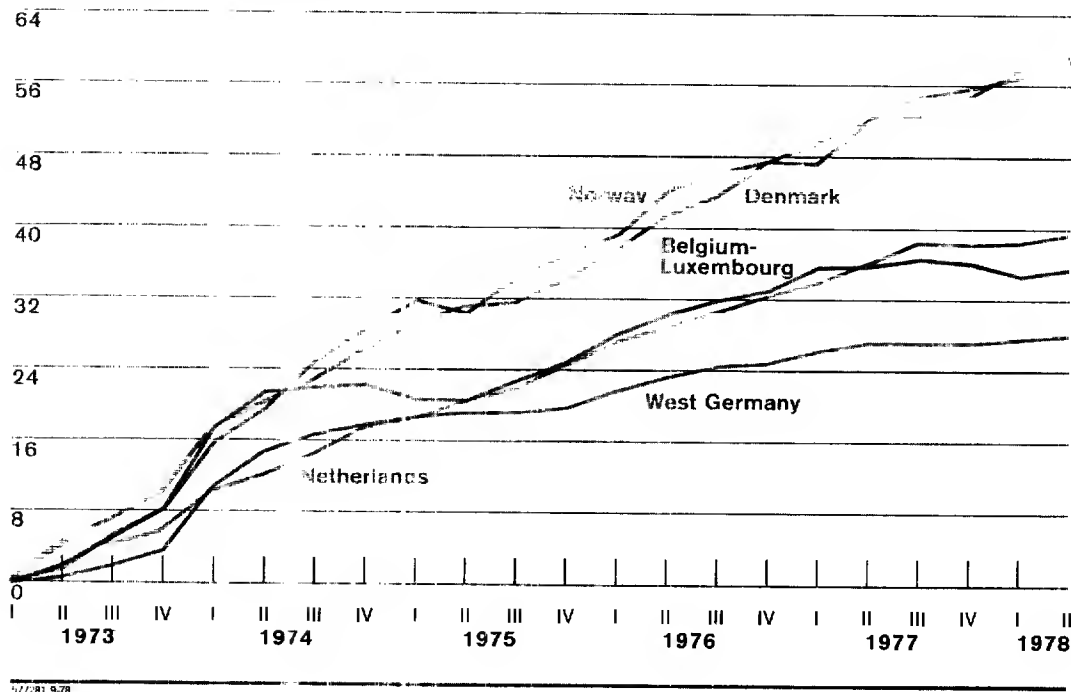
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**European Snake Countries: Wholesale Manufactures Prices**

Percent change over first quarter 1973



Since then, wholesale prices in the Netherlands have risen 8.1 percent, compared with 4.0 percent in West Germany. The Belgian wholesale price index, which has risen only slightly faster than the West German index, is suspect. The more accurate Belgian consumer price index has risen 12 percent, compared with a 6.6-percent rise in the West German index. The much higher rates of inflation in Denmark and Norway have been offset by more frequent devaluations. In the last realignment in February of this year, the Danish and Norwegian currencies were devalued by 4 and 8 percent, respectively. Even though the Danish wholesale inflation rate has slowed this year, it is still high relative to the West German rate. Norway's inflation rate is the highest of the snake countries, now running about 8 percent annually (wholesale prices).

**Commitments to the Snake**

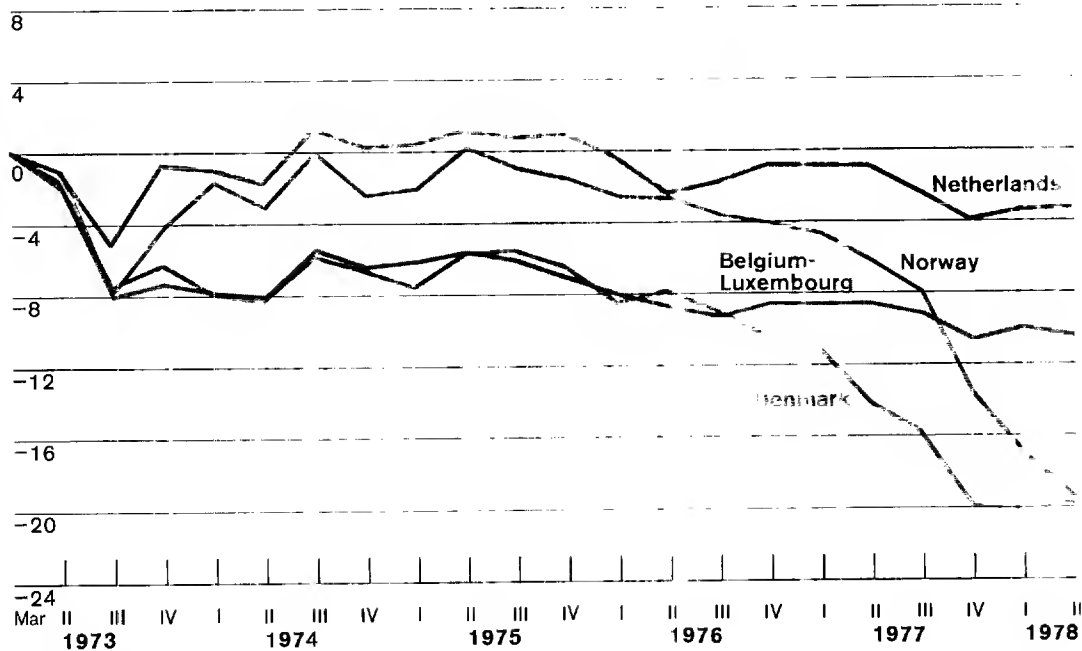
Despite strong public pronouncements of support for the joint float from all participants, chances of avoiding a realignment within the next few months depend to a large extent on the desire and ability of snake members to intervene in the market. Prospects for a reasonable degree of parallel economic performance are poor.

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The *West German* economy is the benchmark for judging the economic health of the smaller snake countries. Even though Chancellor Schmidt's latest economic plans call for higher growth through fiscal stimulation, German inflation rates will remain appreciably below the rates of its snake partners. Exchange market intervention in support of weak snake currencies carries a substantial economic cost; in

### European Snake Countries: Exchange Rate Changes Against the Deutsche Mark

Percent change over March 1973



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particular, Bonn has repeatedly claimed that the domestic money supply effects of past interventions have complicated inflation control efforts. Despite a strong political and philosophical commitment to the stability of the joint float, Bonn may prefer realignment of parities if funds continue to shift out of dollars and the cost of preserving present parities continues to escalate.

*Belgium/Luxembourg* are supporting current exchange rate parities because, in the governments' view, the drop in inflation resulting from a strong Belgian franc has more than offset the loss in trade competitiveness. On the other hand, a senior Luxembourg Government adviser claims that nearly 30 percent of Luxembourg iron and steel exports outside the snake is being priced out of the market. In any case,

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Belgium/Luxembourg will try to postpone decisions on realignment of the franc for at least a few months.

The *Netherlands* has a high economic stake in maintaining the joint float since more than two-fifths of its trade is with snake partners. At the same time, snake membership has increased appreciation of the guilder against nonsnake currencies, thus reducing the competitiveness of Dutch products and contributing to the swing in the trade account from a surplus in 1976 to a \$2 billion deficit in 1977. Minister of Finance Andriessen stated in a recent public letter his government's intention to support present parities while urging snake partners to come to grips with the problem of inflation disparities.

*Denmark* has recently made some progress in slowing inflation and improving the trade balance. The Danish krone, nevertheless, has dropped from the top of the snake earlier this year to near the bottom, probably as a result of uncertainty surrounding the recent government shakeup. Danish officials would like to avoid further devaluation in hopes that a strong krone will buttress the domestic incomes policy. Prime Minister Jorgenson's recent decision to broaden his minority government to include members of the moderate Liberal Party should permit headway on a sorely needed austerity program, thus establishing the underpinning for a stronger currency. On 1 September, Danish Foreign Minister Christophersen publicly announced that the new coalition government is not planning an imminent devaluation of the krone.

*Norway* gains the least from the joint float. Since neighboring Sweden dropped out, less than one-fourth of Norwegian trade is with snake members. Norway's relatively high inflation rate is partly tied to the North Sea oil bonanza. Unless the rise in wage costs is moderated, the improvement in Norway's competitive position stemming from the 8-percent devaluation in February will vanish, and profit margins in nonenergy export sectors will again narrow.

#### Implications of Further Realignment

The ability to limit fluctuations among the few currencies now participating in the joint float will influence plans for organizing the broader European Monetary System envisioned by Schmidt and Giscard d'Estaing. The West Germans will play the pivotal role in determining the timing of any interim realignment. All of the participants undoubtedly would prefer to maintain present snake parities until after the EC ministerial meetings scheduled for this fall, to demonstrate that narrow intervention limits are feasible.

The United Kingdom, France, and Italy, will be close observers of the snake's stability over the next few months. Italy and the United Kingdom abandoned the

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original float in 1972 largely because of their inability to stay within narrow margins. France withdrew from the float in 1974, reentered in 1975, and withdrew again in 1976. As a condition for their joining a supersnake, the major nonsnake EC members generally favor a more flexible system for exchange rate realignment than that advocated by West Germany and the Benelux countries. [REDACTED]

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USSR: GRAIN IMPORTS HIGH DESPITE RECORD CROP PROSPECTS

The USSR is likely to harvest a record grain crop of more than 224 million tons this year, at least 15 percent more than in 1977 and somewhat more than in the previous record year. The US Department of Agriculture expects that its estimate of Soviet grain production of 220 million tons could be exceeded if weather for harvesting the remaining crop is favorable. Unless the Soviet crop is considerably in excess of 224 million tons, we expect Moscow to purchase 15 million to 20 million tons of grain for delivery during the 1978/79 marketing year (beginning 1 October).

**Crop Details**

Most Soviet crop regions have done well this year; in most years, one part of the country experiences a good harvest while another part suffers from adverse weather conditions. We now anticipate average or above-average yields in most areas, the result of this season's ample soil moisture.

Roughly two-thirds of the Soviet grain area, and an even larger portion of the total grain output, has been harvested. Rainy weather during harvesting has lowered grain quality in some areas, but overall the pace of the harvest is close to the average of the past few years.

Prospects for the other major Soviet crops remain generally less favorable than for grain crops, the result of this season's cool weather and sometimes excessive moisture conditions. Cotton production is likely to be near a record, but output of potatoes, sugar beets, vegetables, and sunflower seeds probably will fall short of 1978 plan levels.

**Foreign Trade Factors**

The estimate of Soviet import requirements of 15 million to 20 million tons of grain is based on Soviet plans for expanding the livestock sector. Moscow is in a strong

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balance of payments position and should have little difficulty in financing such imports, which at current prices would be worth between \$1.5 billion and \$2 billion.

The relatively high level of world supplies this year increases Soviet flexibility in planning and executing the grain buying program. We believe the Soviets are unlikely to come to the United States for more than 8 million tons. Under the terms of the US-USSR Long-Term Grain Agreement, Moscow is committed to buy at least 6 million tons of US corn and wheat annually and may purchase as much as 8 million tons without prior consultation.

We expect that 5.5 million to 6 million tons of non-US wheat and 4.5 million to 5.0 million tons of coarse grains will be available for export to the Soviet Union—mainly from Argentina, Canada, Australia, and the EC. To date about 2 million to 2.5 million tons of non-US grain have been ordered by the USSR for delivery in the 1978/79 marketing year.



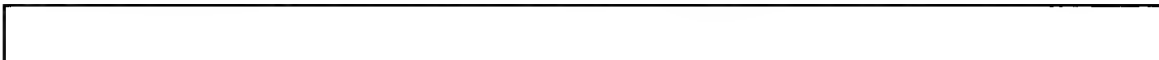
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USSR: LONG-TERM OUTLOOK FOR GRAIN IMPORTS \*

The long-term Soviet quest for self-sufficiency in grain output is incompatible with the leadership's commitment to rapidly expand supplies of meat. Because the meat program—the centerpiece of Soviet consumer welfare policy—has been taking precedence over the self-sufficiency goal, the USSR has perforce continued to import sizable quantities of Western grain. Over the next several years Soviet requirements for foreign—and especially US—grain will likely range from 15 million to 25 million tons annually. But the tailing off of Soviet oil production will seriously restrict the USSR's hard currency import capacity after 1980, presenting the Politburo with some particularly difficult decisions.

How Realistic Are Plan Goals?

In July, President Leonid Brezhnev announced targets for meat and grain production in the 11th five-Year Plan (1981-85). The goals themselves are consistent



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with self-sufficiency in grain and include (a) an estimated 1985 target of 260 million tons for grain, 50 million tons more than annual average production in 1976-77, and (b) a 1985 goal of 19.5 million tons of meat, nearly one-third more than actual 1977 output of 14.8 million tons.

To achieve the targeted grain output, the Soviet leadership is counting on either a continuation of the relatively favorable weather conditions of the past decade or a more rapid growth in yields based especially on accelerated growth in use of fertilizer. We believe, however, that weather conditions are likely to be less favorable than they have been and that grain yields are not going to advance at a pace faster than what recent trends indicate. We therefore estimate that grain output in 1985 will be more than 20 million tons below target.

In turn, the official goal for meat production—already too low to satisfy the suppressed demand for meat products at prevailing prices—cannot be met without sizable grain imports. If meat production grew at the planned annual rate—about 1.5 percent per capita in 1981-85—the gap between the amount of meat

USSR: Grain Imports <sup>1</sup>

Calendar Year	Total	Million Tons
		From the United States
1971.....	4.2	0
1972.....	16.2	7.3
1973.....	24.5	15.4
1974.....	7.8	4.1
1975.....	16.7	7.1
1976.....	21.5	12.1
1977.....	11.5	6.4
1978 <sup>2</sup> .....	15-20	8

<sup>1</sup> Including flour in grain equivalent and rice.

<sup>2</sup> Estimated.

demand and the amount supplied would widen, not narrow, because of (a) the high Soviet income elasticity of demand for meat, (b) Moscow's commitment to hold retail meat prices constant, and (c) shortages of other consumer goods, which will lead to an even higher pileup of unspent rubles.

## Pressures on Hard Currency Earning Capacity

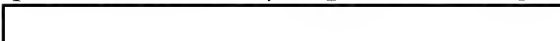
Laying aside the wide variations of individual Soviet grain harvests above and below trend, we believe that the USSR will need to import at least 15 million tons of grain annually by 1985 to support the meat target of the 11th Five-Year Plan. If meat

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production were to grow at the same rate as anticipated real consumer money income, annual import requirements for grain would be considerably higher, perhaps 25 million tons.

Through the next two years at least, the USSR should be able to finance the purchase of the up to 30 million tons of grain that could be required annually even with average harvests. Whether it would be willing to spend the hard currency to buy more than this amount if the harvests turn out badly is doubtful. After 1980, Soviet foreign exchange earnings will shrink as the availability of oil for export declines. Shortages of hard currency will become an increasing constraint, forcing the leadership to make hard choices between keeping consumer grumbling in a tolerable range, maintaining other imports—especially machinery and technology—at levels necessary to reach industrial goals, and importing oil to meet East European needs. By 1985, grain imports of 15 million tons would use up roughly \$2.5 billion (1978 dollars) in scarce foreign exchange earnings; imports of 25 million tons could cost \$4 billion. Accordingly, the conservative nature of the meat goal announced in July may have been the result of a deliberate Politburo decision to trade off consumer aspirations for what was perceived as necessary restraint in future grain purchases.

The United States probably will continue to supply about half of the grain bought by the Soviet Union. Other suppliers almost certainly will not be able to increase their exports substantially in response to growing Soviet demand, especially for feed grain such as corn. Nonetheless, the USSR will retain its advantage as a large buyer in a free market, able and willing to disguise its requirements and intentions regarding grain imports. The United States is likely to be treated as a residual supplier (after the commitment under the 1976-81 US-USSR long-term agreement is satisfied) and by contracting with US traders for optional origin grain, the USSR should—as in the past—be able to buy large amounts of grain in a short time at advantageous prices.



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IRAN: NEW GOVERNMENT MAINTAINS LOW ECONOMIC PROFILE

Appointed in an effort to contain conservative/religious dissidence, Iran's new Prime Minister, Ja'afar Sharif-Emami, probably will delay making major economic policy changes until he can establish a greater measure of domestic calm. In the interim, he is likely to continue the go-slow economic policy of his predecessor, stretching out the time frame for ambitious development schemes while attacking the more immediate problems of sluggish agricultural production and rapid inflation.

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In his initial economic pronouncement, the new Prime Minister stressed the conservative values that could be expected to secure the Shah support from the disaffected Muslim leaders and their followers. He called for programs to spread the benefits of economic development to rural areas and reiterated the now standard call for a gradual return to agricultural self-sufficiency, a goal that has been bypassed during Iran's helter-skelter development drive. The new government also intends to proceed with agriculture and transportation projects already under way but to reassess all other economic programs.

**Problems of Oil Boom**

Iranian economic policy since the 1973/74 oil price hikes has sought to create a modern, diversified industrial sector, which would become the major source of revenues when oil production begins to level out in the mid-1980s. At the same time, the Shah has opted for the development of a sophisticated military force to make Iran the dominant power in the Persian Gulf and for a large-scale nuclear power plant construction program to further reduce the country's dependence on oil.

The Shah's expansionary military and industrial drive pushed demand—particularly in the construction sector—far beyond the capability of the local economy to supply labor, materials, and supporting facilities. Rather than curb demand, the Shah relied on price rollbacks and controls on profits to moderate the inflationary impact of his program. The construction boom continued, however, and—with the accompanying surge in industrial wages and bank credits—inflation became endemic.

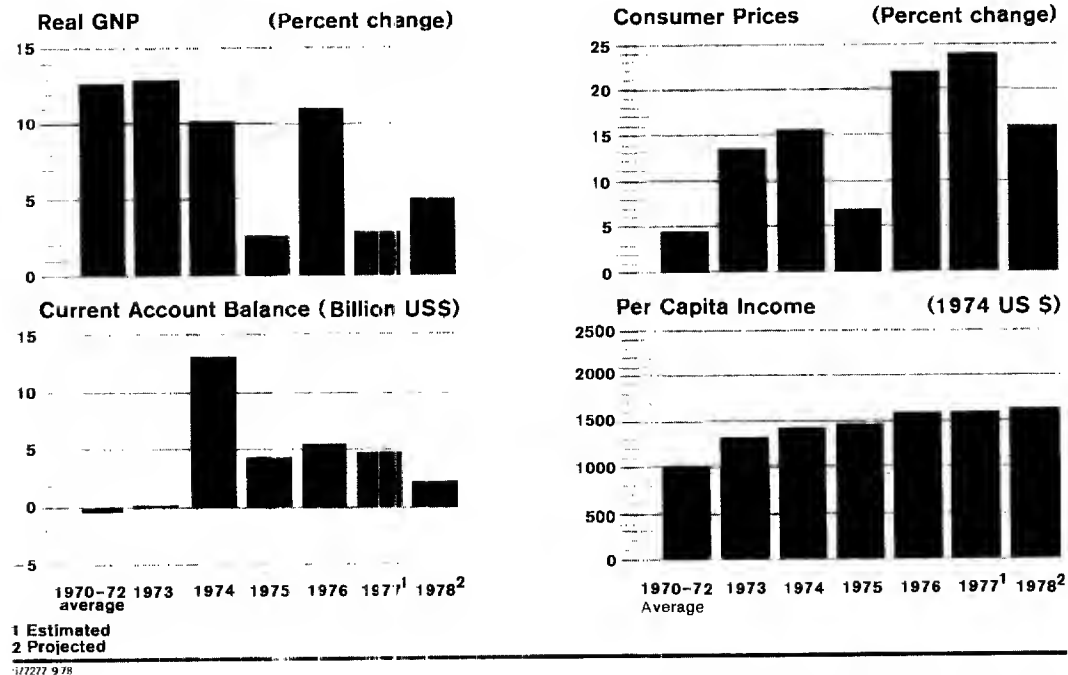
In emphasizing capital-intensive heavy industry, Iranian policymakers neglected to promote the private sector, particularly agriculture. Self-sufficient in food through 1969, Iran now provides only about 75 percent of its needs. With agricultural output rising less than 5 percent a year, and demand—spurred by rapid population and income growth—climbing as much as 8 percent, the share could fall to 60 percent or less in the mid-1980s.

Sharif-Emami's immediate predecessor, Janshid Amuzegar, launched an attack on these problems last summer, shortly after taking office. Monetary and fiscal policies were tightened, building permits restricted, and rent controls instituted. The Amuzegar government actually held public spending below authorized levels for most of its tenure. Expenditures did surge in February-March 1978, but this probably was generated by the realization that spending authorizations for many projects would expire in March, at the end of the current five-year plan period. Signaling a change in the Shah's attitude, a major review of development priorities was begun, and tax and labor reforms were promised. But the reforms never appeared and the long-overdue five-year plan for March 1978 to March 1983 never was published.

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**Recent Economic Developments**

Amuzegar's policies brought some relief on the price front. After rising at a rate of 22 percent in 1976 and 24 percent in 1977, the cost of living went up at an annual rate of 16 percent in the first five months of 1978. The cost of housing and fuels actually fell 4 percent in January-May, although food and beverage prices continued to climb substantially.

**Iran: Economic Indicators**

The shift in government policy reinforced a slowdown in GNP growth already in the works because of slumping oil and agricultural output. Real GNP grew only 3 percent in 1977; bad weather caused agricultural production to decline 0.8 percent and weak demand for oil kept output at 5.7 million b/d, compared with 5.9 million b/d in 1976. Sluggish growth in investment—up only 6 percent last year compared with a 57-percent gain in 1975 and a 12-percent rise in 1976—together with electric power blackouts held down activity in the industrial and service sectors.

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Given the shaky political situation, private investment, which declined 1 percent last year, is not likely to pick up much. Increases in public investment and private consumption probably will boost real GNP 4 to 7 percent this year. Even if oil demand strengthens faster than expected, economic growth will continue to be constrained by limitations of the internal transport system and by a serious shortage of skilled labor and engineering personnel. The government's own figures indicate that one out of every three skilled positions will remain unfilled in the mid-1980s.

With oil output down and imports continuing to grow, Iran's current account surplus remains far below the \$13 billion peak of 1974. Despite the overall economic slowdown, imports last year increased by 11.5 percent in nominal terms; a fall off in oil export volume was more than offset by the OPEC oil price hike of January 1977, oil revenues rising 5 percent. This year oil revenues probably will remain about the same, while increased imports and service payments should drive the current account surplus down to the \$2 billion level.

#### **Limited Spinoff for Man in the Street**

Many Iranians have gained little from the oil and construction boom, and discontent with the Shah's development priorities has added to political and religious unrest. Although per capita income has grown by more than 60 percent in real terms since 1972, almost half of Iran's population still lives in backward rural areas and reportedly receives incomes about one-fifth those of city dwellers.

Higher wages and the government's neglect of agriculture have contributed to accelerated rural-to-urban migration. Ironically, food prices generally are lower in the cities because price controls are more strictly enforced. Increasing urbanization is enlarging the pool of unemployed unskilled labor, which clearly numbers more than the 200,000 acknowledged by the government. This group of unemployed could act as a destabilizing force during a period of social and political unrest. Even among the urban employed, increasing signs of labor unrest have emerged—featuring wildcat strikes by workers who claim that their wages have failed to keep up with inflation.

#### **Revision of Priorities?**

The need to placate the conservative elements who have been at the forefront of recent demonstrations may lead to some shift in government policy away from industrial and nuclear development and toward the agricultural sector. Such a shift—previously hinted at by the Amuzegar government, which was reevaluating the massive planned nuclear power buildup—would help appease the traditionalists who fear the corrosive influence of increasing urbanization on moral values. At the same



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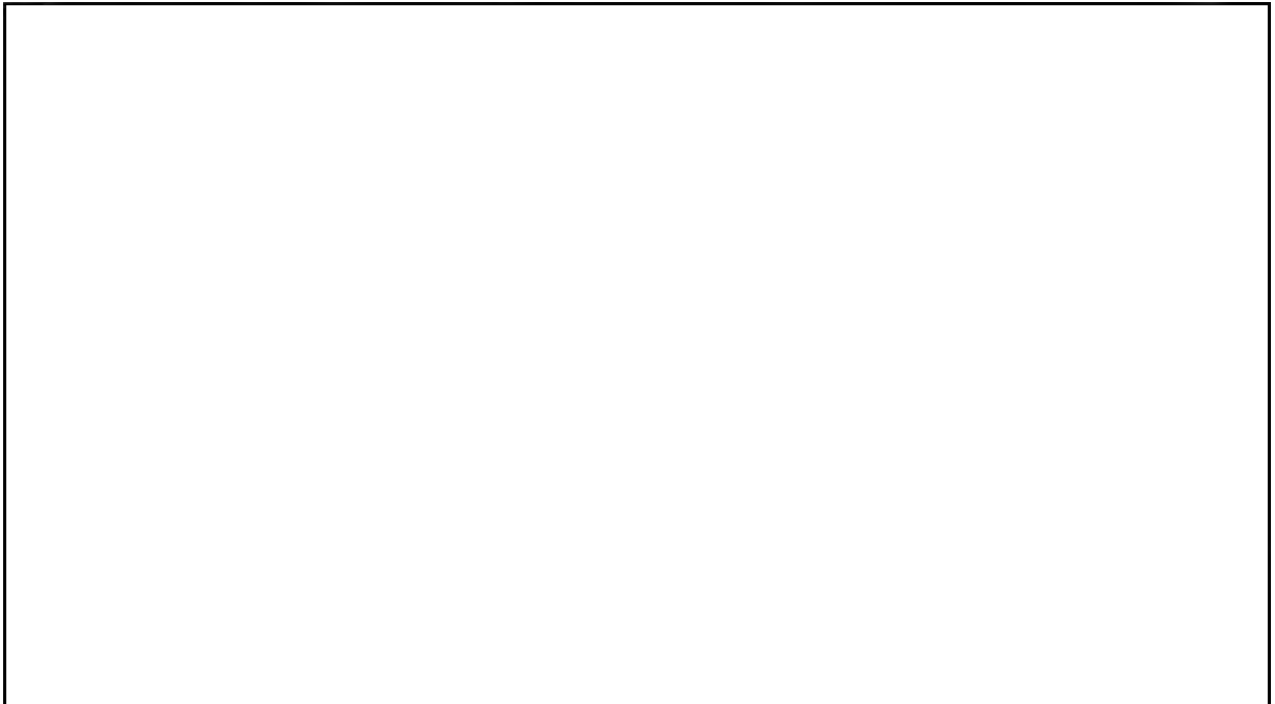
time, it would help postpone the emergence of the payments gap toward which Iran now seems to be headed if it boosted farm output and moderated import growth across the board.

Unless oil prices rise substantially, Tehran's present development program will put the current account in sizable deficit by the early 1980s. We expect the growth in imports to speed up in the next several years. Military imports are apt to remain high, while payments for nuclear equipment already ordered will begin to accelerate in the early 1980s. Food imports, now running at \$2 billion a year, are likely to balloon, with consumption encouraged by a government program of \$1 billion a year in food price subsidies.

At the same time the export outlook is dim. Oil production, which still accounts for the bulk of export earnings, probably will diminish gradually to 5.5 million b/d by 1985. Exports of gas will not take up the slack. Although Iran's gas reserves are the second largest in the world, developing the facilities to produce, process, and deliver the gas will be time consuming and expensive. Products from the Shah's ambitious industrial development program, while expected to provide some import substitutes over the next several years, will encounter weak world demand.

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### VIETNAM: LAG IN POSTWAR RECONSTRUCTION \*

More than three years after the fall of Saigon and almost two years after Hanoi's declaration of unification, little progress has been made in raising Vietnamese output and living standards beyond prewar levels. The largely agricultural, market-oriented southern economy has yet to recover from its near collapse of 1975 and is only slowly being integrated into the more industrialized, Communist system of the north. The trade gap is growing, and potential Western aid donors are being turned off by Vietnam's inefficiency in absorbing aid and its reluctance to allow non-Communist advisers in the country.

#### Policy and Planning Difficulties

Output goals under the current five-year plan (1976-80) are becoming less and less attainable. In particular, the targets for raising GNP by about 15 percent annually and for achieving food self-sufficiency by 1980 are now out of reach. Last year, for example, GNP was only 3 percent above GNP in 1974. At the same time, Hanoi had to import 1.5 million tons of wheat and rice, the largest amount since the end of the war.

Lack of progress in attaining plan goals is strengthening pressures within the Hanoi Politburo for more rapid integration of both economies before 1980. Thus, in March 1978 the government nationalized the commercial sector in the south. The action, which struck heavily at Vietnam's 1.5 million ethnic Chinese, is intended to eliminate the free-wheeling private market in the south and to bring the distribution and pricing of scarce commodities fully within the government orbit. This effort and

\* This article presents the main findings of a forthcoming Intelligence Assessment of the Office of Economic Research, *Vietnam: Reconstruction and the Postwar Economy*.

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others that will probably follow are more likely to hobble than to hasten economic growth over the next few years.

### Dealing With Agriculture

For the moment, Hanoi remains wary of socializing land holdings too quickly in the sensitive southern agricultural sector. Most established farms in the Mekong Delta remain privately owned, even though farmers must increasingly deal with state agencies in purchasing inputs and disposing of their products. Despite this cautious approach in expanding state ownership, agricultural production in the south has lagged. Mekong Delta farmers believe government takeover of their land is inevitable and have responded by growing only enough to meet compulsory sales to the state and the needs of their families. In these circumstances, Hanoi stands little chance of boosting southern grain output enough to offset the annual deficit of 500,000 to 1 million tons in the northern area. Total staple food production last year—13 million tons—barely matched the combined 1974 level for North and South Vietnam.

Hanoi's most ambitious postwar effort in agriculture and socio-economic reform is embodied in the "new economic zones"—primitive areas in the countryside set aside for agricultural development. The areas are Hanoi's attempt to deal simultaneously with massive urban unemployment, lagging food production, uneven population distribution, and inadequate political control over the south. The government has pressured—but unlike neighboring Cambodia has not physically forced—city dwellers to resettle in these areas. Many of the perhaps 1 to 1.5 million people who have been moved have drifted back to the cities because of harsh living conditions in the new areas. So far, few of the new areas have actually supplied an agricultural surplus to the state.

### Dealing With Industry

Even though industrial enterprises have recovered from most of the wartime damage, the industrial sector is generally failing to meet plan targets. Southern industry—made up largely of textile, food-processing, and light metal manufacturing establishments—is still operating far below capacity. Industry in the south is Hanoi's next likely candidate for full nationalization. Currently, industrial ownership in the region ranges from pure private enterprise to full state control.

### Foreign Economic Relations

Vietnam's chronic trade gap—\$600 million and growing—still must be covered by foreign aid. The bulk of postwar aid pledges of \$5.6 billion have come from Vietnam's Communist allies. The USSR is by far the largest single aid donor,

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accounting for 45 percent of the total. China's recent suspension of all economic aid to Vietnam—as the result of the bitter dispute over the treatment of Chinese ethnics within Vietnam—will trouble but not cripple the languishing economy. Non-Communist aid remains small despite an initial flurry of postwar offers of assistance. Western donors have lost their enthusiasm because of Vietnam's demonstrated inability to absorb the amount of aid already lined up. The large gap between aid pledges and completed projects reflects a variety of factors including:

- Slow decisions on organizing aid programs by Vietnamese policymakers.
- Insufficient managerial and technical talent to expedite aid projects.
- Reluctance of the leadership to allow Western advisers and technicians into the country.
- The inadequacy of port and transportation facilities for handling the flow of aid goods.

Hanoi, interested in attracting foreign investment, so far has failed to nail down any commitments from Western firms. One potential bright spot in foreign economic relations is the recent signing of oil exploration agreements with West German, Italian, and Canadian firms (although the Vietnamese have indicated they would prefer US technology and expertise). Drilling in areas originally explored by US firms before the fall of Saigon may resume by yearend. Even if results are favorable, Vietnam will not be producing crude much before the mid-1980s.

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**Japan Plans Quiet STOL Civil Aircraft**

The Japanese Ministry of International Trade and Industry (MITI) has announced plans to develop a new civil aircraft aimed at the quiet short takeoff and landing (Q/STOL) market of the mid-1980s. This reflects a more aggressive Japanese stance in aerospace activities during the past year, which was highlighted by Tokyo's taking a 15-percent interest in the development and production of Boeing's 767/777 aircraft.

MITI announced the new Q/STOL program as part of its fanjet aircraft research effort. A formal go-head decision is scheduled for 1980 so that fabrication of the aircraft can begin in 1984. If these dates are met, a prototype could fly in 1985, and

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#### Japan's newly proposed Q/STOL aircraft



series production could begin a year later. We estimate that outlays prior to series production will run at least \$150 million. The aircraft will carry about 150 passengers at ranges of approximately 2,600 kilometers and be powered by four Japanese FJR-710 fanjets.

The new Q/STOL aircraft, still in an embryonic stage, is part of Japan's broad-based effort to become a major exporter in specialized sectors of the commercial aircraft market. Even though MITI believes the proposed Q/STOL program offers as much long-term potential for domestic aircraft manufacturing as the collaboration with Boeing on the 767/777, the latter represents the key bridge to the 1980s.

#### Australia Debates Severe Anti-Inflation Budget

Prime Minister J. Malcolm Fraser has drawn sharp criticism for his tough FY 1979 federal budget. Fraser still considers the current 8-percent inflation rate too high, even though growth has stagnated and unemployment hovers around 6 percent.

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Besides holding down federal spending—especially on welfare—the government proposes (a) a tripling of the tax on Australian-produced oil to bring domestic prices up to world levels, (b) a temporary 1.5-percent surcharge on the personal income tax, (c) extension of the coal export duty for another year instead its elimination as promised, (d) sharp hikes in excise taxes on cigarettes and liquor, and (e) an \$11.40 departure tax on travelers leaving Australia. A 12.5-percent cut in the sales tax on automobiles is the only reduction in taxes called for in the new budget. These revenue and expenditure proposals are intended to reduce the federal deficit from \$3.8 billion in FY 1978 to \$3.2 billion in FY 1979.

The budget announcement prompted demonstrations by unions and welfare organizations, which had been led to believe the austerity measures would be eased after three years. Most perplexing to them has been Fraser's willingness to allow unemployment to drift even higher than the current 6-percent level. Businessmen, on the other hand, have refrained from criticizing the budget; they expect interest rates to fall and investment to rise as the budget deficit shrinks.

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National  
Foreign  
Assessment  
Center

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# Economic Indicators Weekly Review

14 September 1978

ER EI 78-037  
14 September 1978

Approved For Release 2004/07/28 : CIA-RDP80T00702A000800050004-4

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## FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

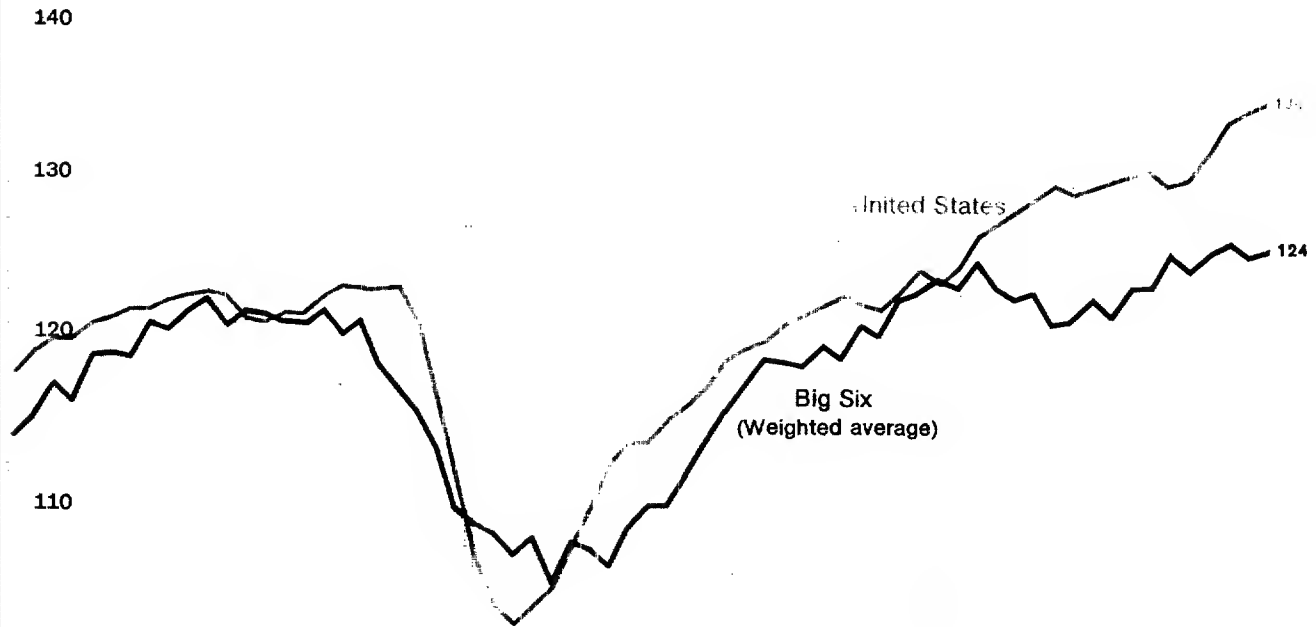
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

# BIG SIX FOREIGN COUNTRIES<sup>1</sup> COMPOSITE INDICATORS

Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



Unemployment Rate

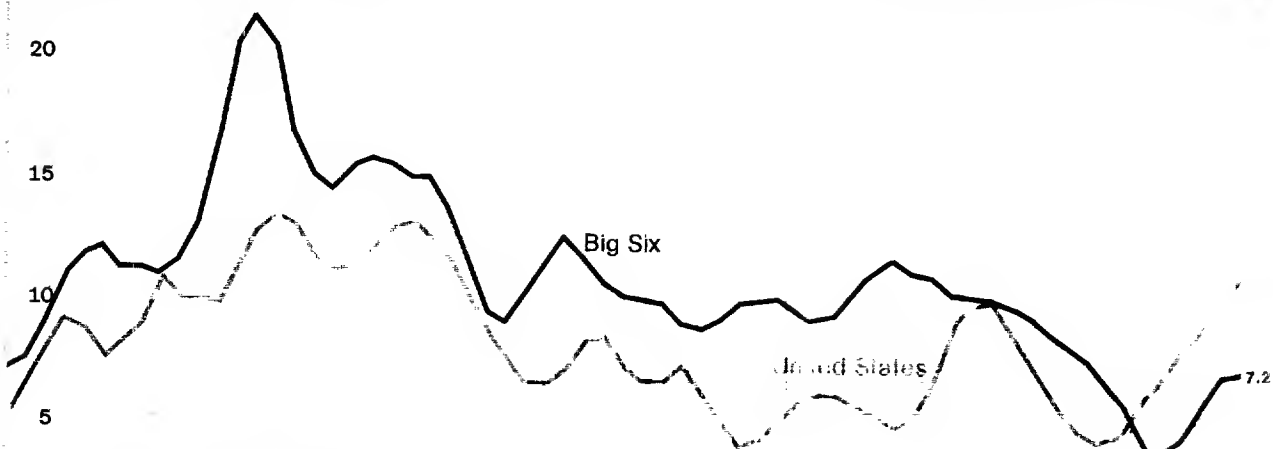
Percent



Note: Excluding data for Italy.

## Consumer Price Inflation

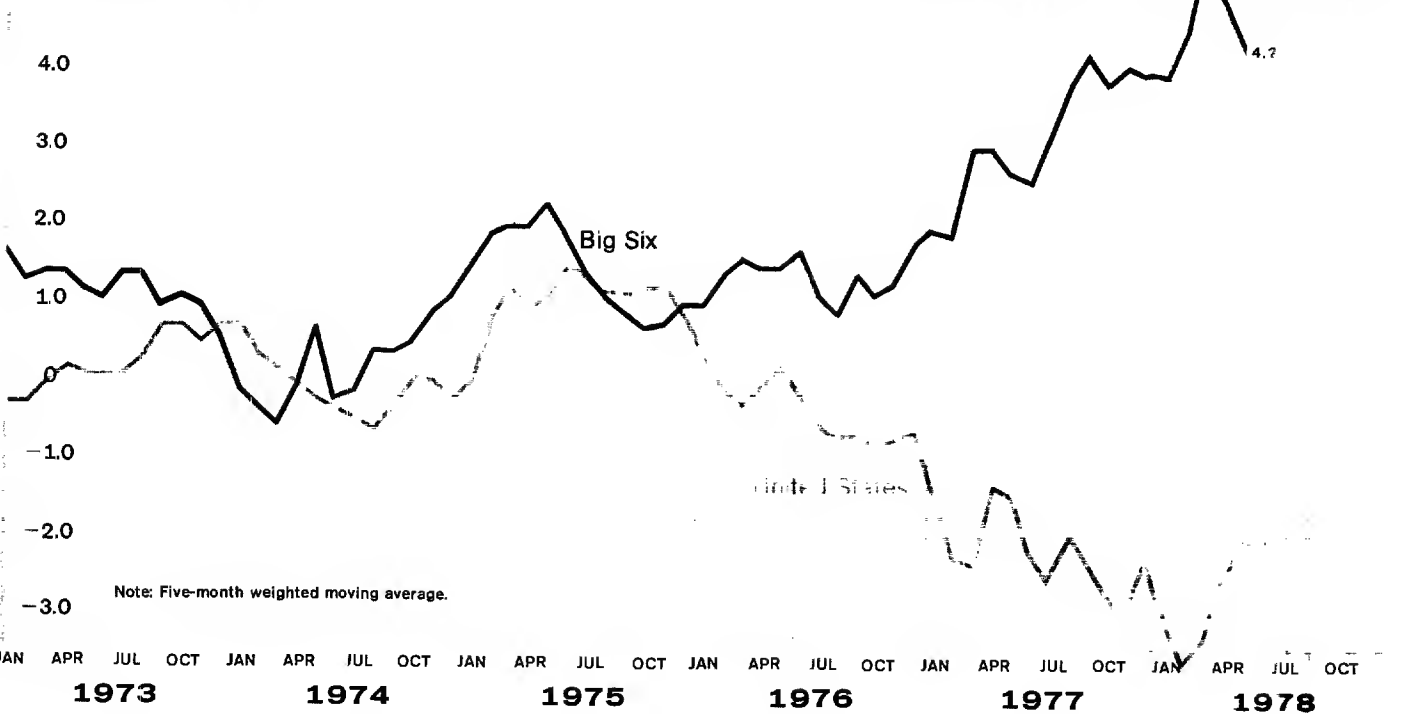
**Percent, seasonally adjusted, annual rate**



**Note:** Three-month average compared with previous three months.

## Trade Balance

**Billion US \$, f.o.b., seasonally adjusted**



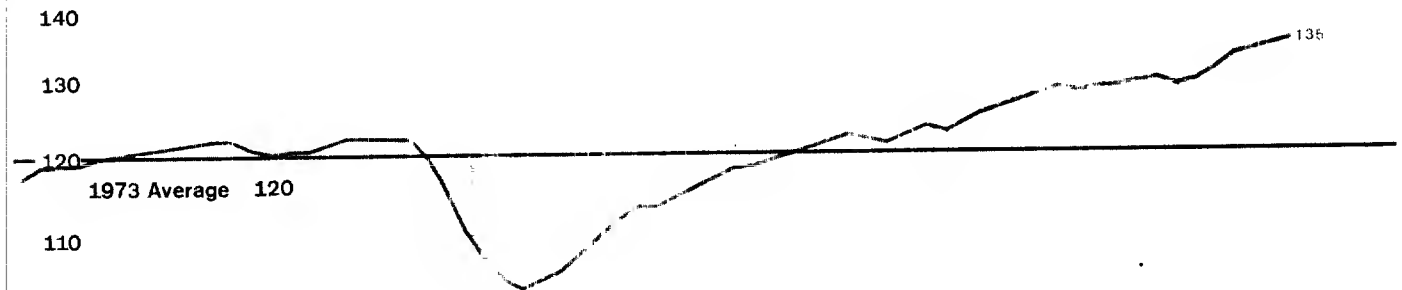
Note: Five-month weighted moving average.

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			Unemployment Rate Big Five United States	LATEST MONTH	1 Year Earlier	3 months Earlier
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>				
<b>Industrial Production</b>									
Big Six	JUN 78	0.2	2.8	2.5	2.0		MAY 78 4.4	4.2	4.3
United States	JUN 78	0.5	3.8	4.9	12.8		MAY 78 6.1	6.1	6.1
							LATEST MONTH	MILLION	CUMULATIVE (MILLION US \$)
<b>Consumer Prices</b>									
Big Six	JUN 78	0.6	9.2	6.2	7.2	Trade Balance	MAY 78	3,650	21,926
United States	JUN 78	0.9	6.7	7.4	10.7	Big Six	MAY 78	-2,238	-14,771
						United States	MAY 78	-2,238	-14,771

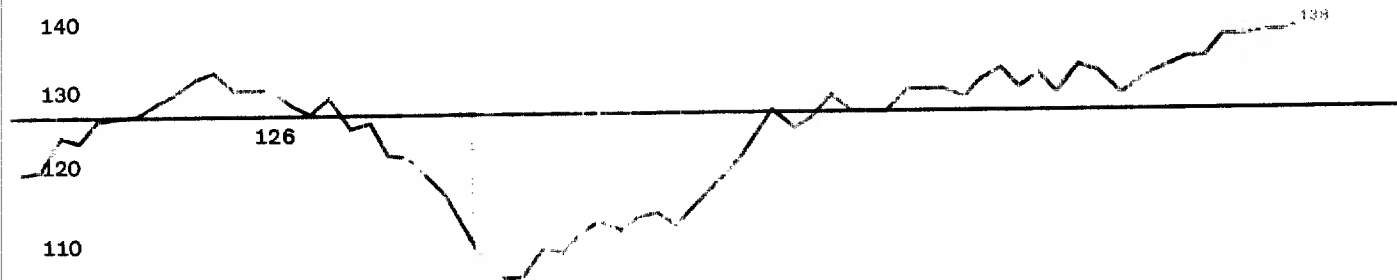
# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

Semilogarithmic Scale



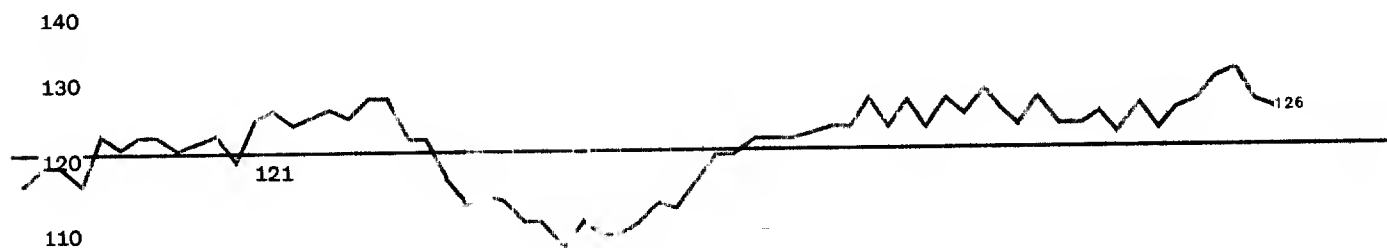
## Japan



## West Germany

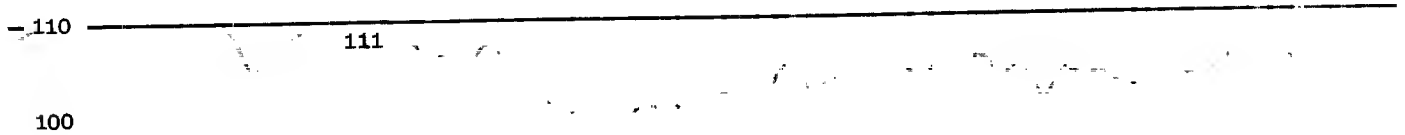


## France

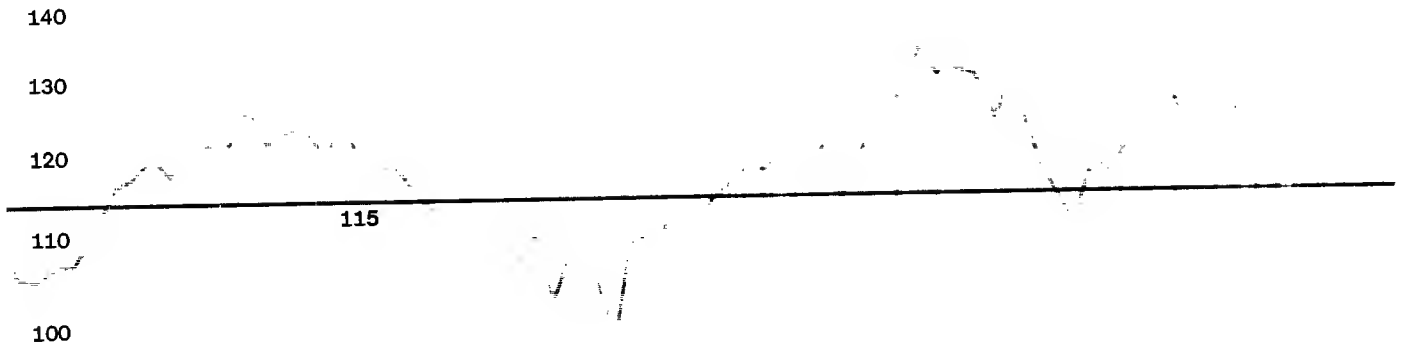


Semilogarithmic Scale

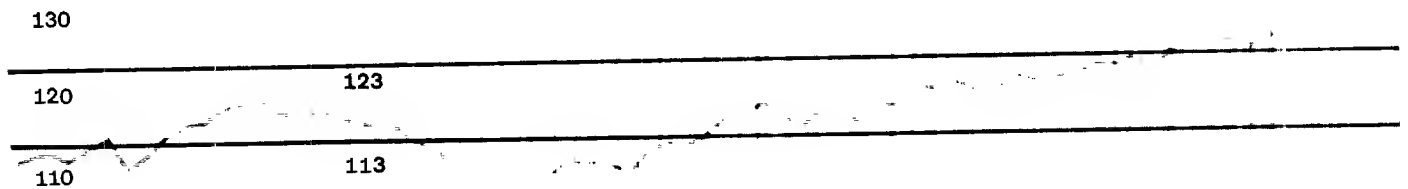
# United Kingdom



# Italy



# Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>			1970	1 Year Earlier	3 Months Earlier <sup>1</sup>
United States	JUN 78	0.1	0.2	0.3	0.3	United Kingdom	JUN 78	0.1	0.1	0.1
Japan	JUN 78	0.1	0.1	0.1	0.1	Italy	JUN 78	0.1	0.1	0.1
West Germany	JUN 78	0.1	0.1	0.1	0.1	Canada	JUN 78	0.1	0.1	0.1
France	JUN 78	0.1	0.1	0.1	0.1					

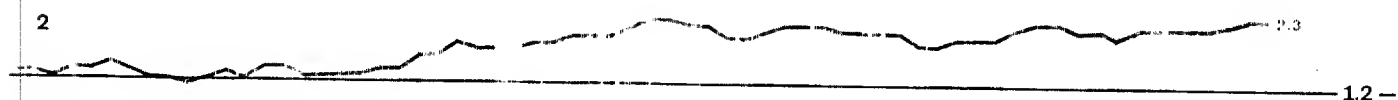
# UNEMPLOYMENT RATE

PERCENT

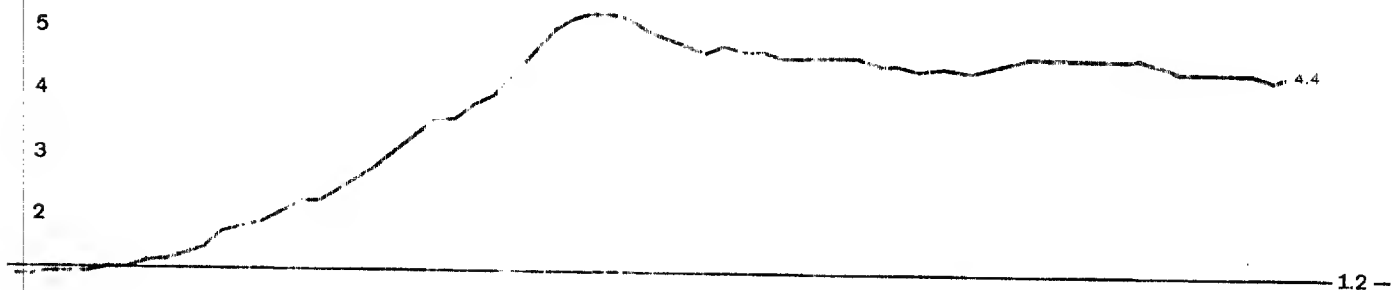
## United States



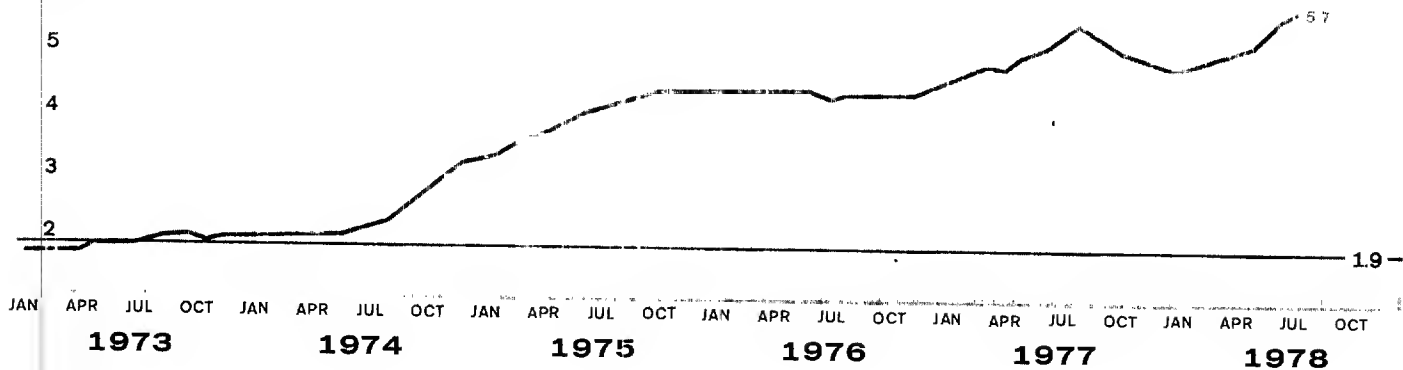
## Japan



## West Germany

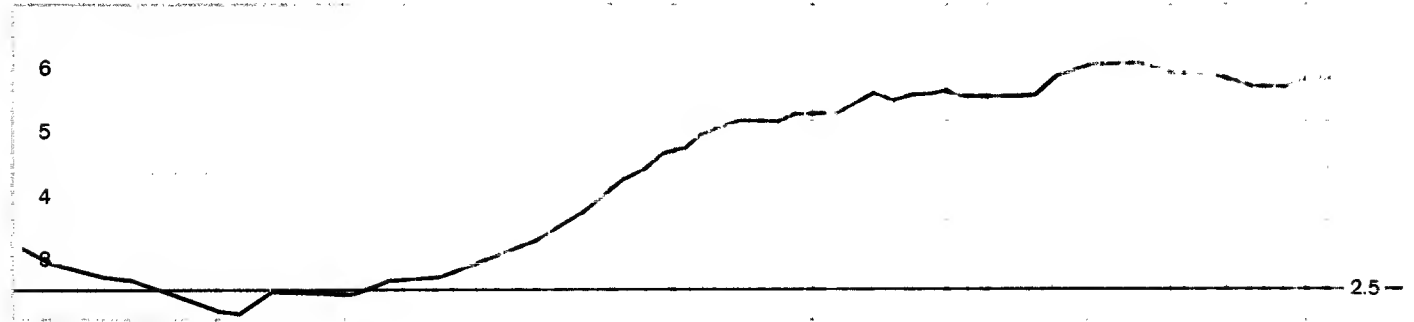


## France

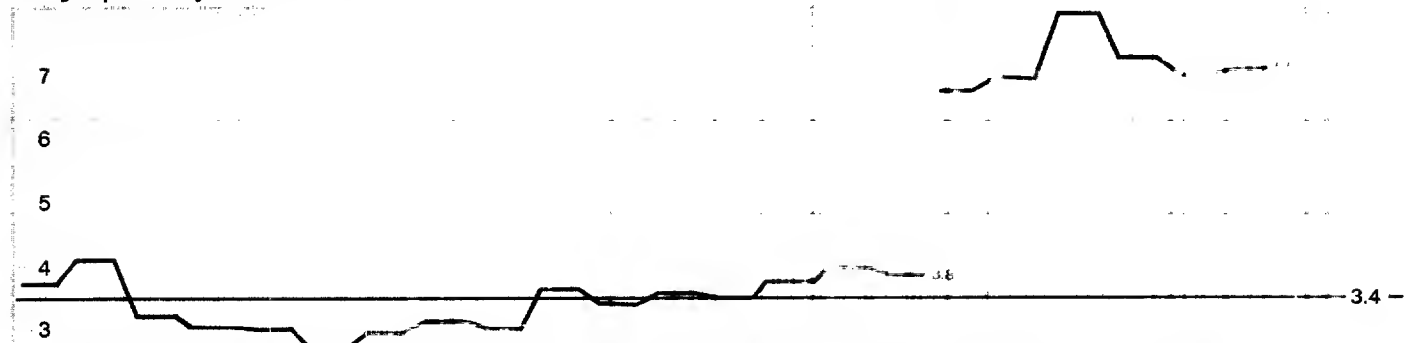




## United Kingdom

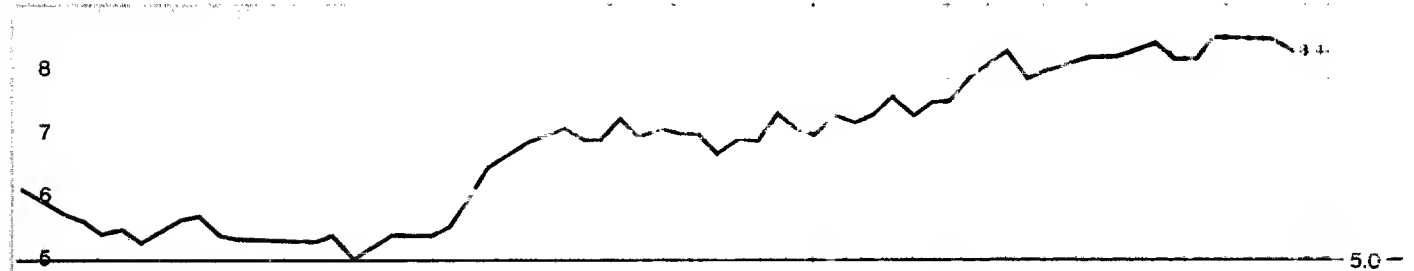


## Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

## Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
1973 1974 1975 1976 1977 1978

## THOUSANDS OF PERSONS UNEMPLOYED

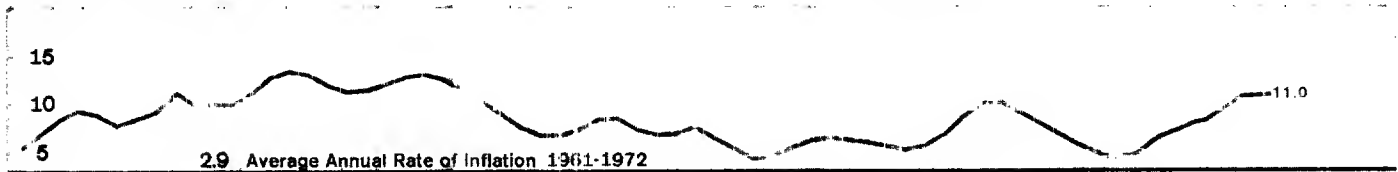
		LATEST MONTH	1 Year Earlier	3 Months Earlier			LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	AUG 78	5,968	6,821	6,149	United Kingdom	AUG 78	1,392	1,414	1,366
Japan	JUN 78	1,310	1,190	1,180	Italy	JUL 78	1,455	1,432	1,520
West Germany	JUL 78	991	1,049	990	Canada	JUL 78	927	886	935
France	JUL 78	1,241	1,140	1,087					

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

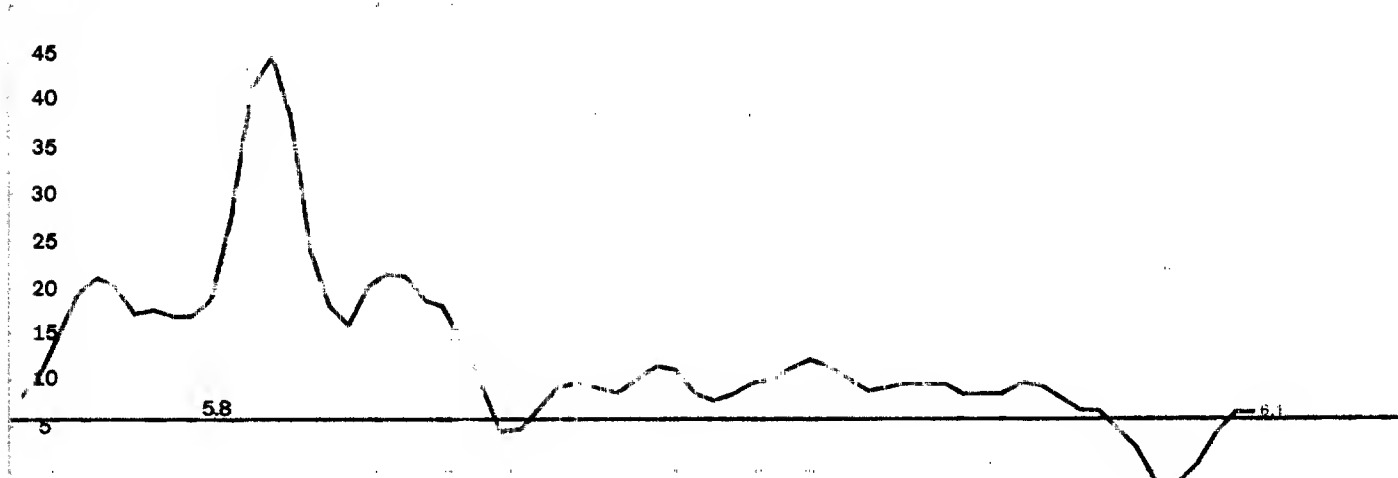
## CONSUMER PRICE INFLATION

Percent, seasonally adjusted,  
annual rate<sup>1</sup>

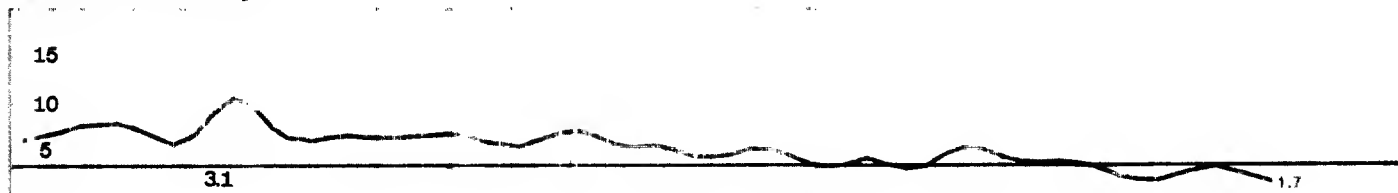
### United States



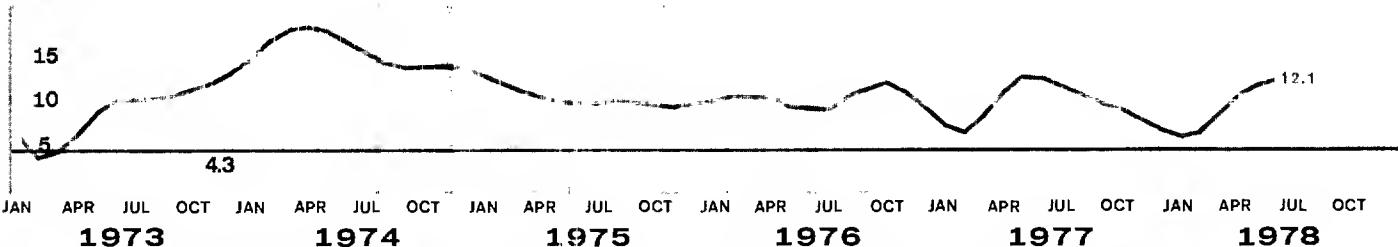
### Japan



### West Germany

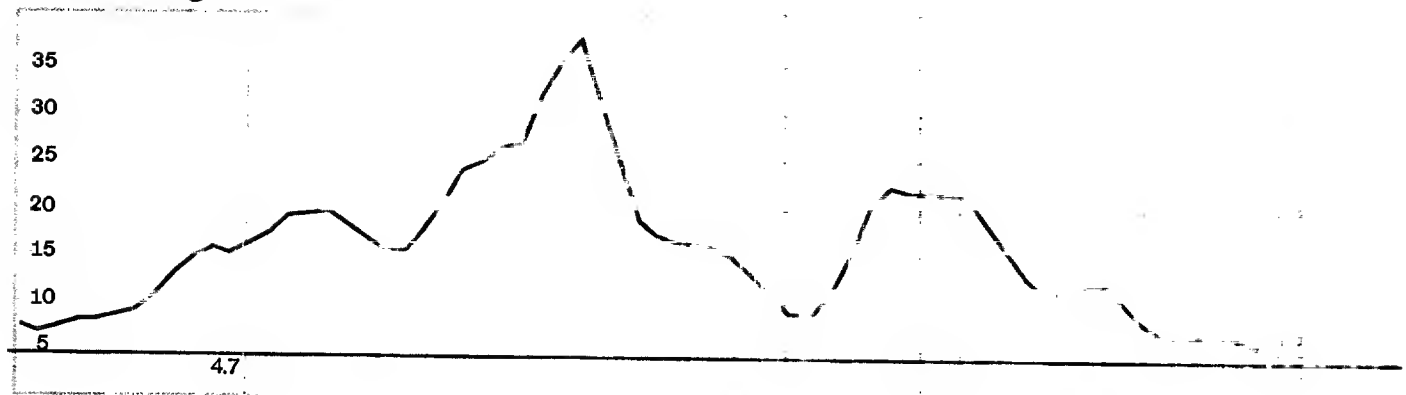


### France

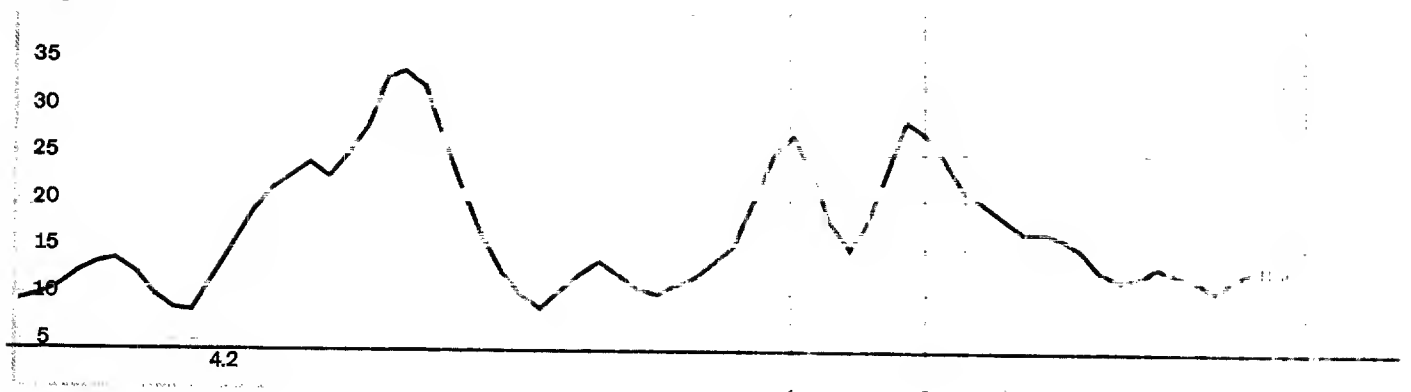


<sup>1</sup>Three-month average compared with previous three months.

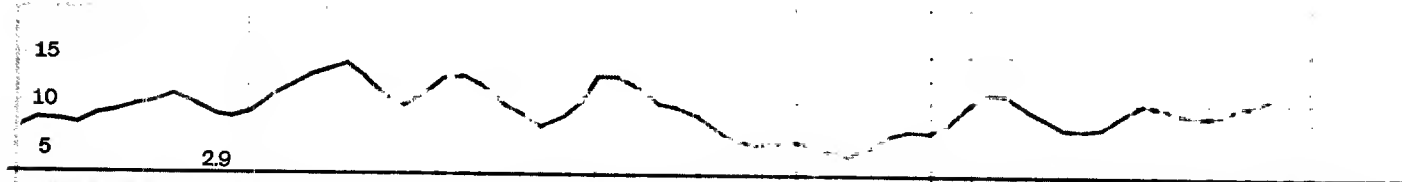
## United Kingdom



## Italy



## Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>				1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	JUL 78	0.7	6.8	7.7	11.0	United Kingdom	JUL 78	1.1	13.1	7.8	6.4
Japan	JUN 78	0.3	9.8	3.5	6.1	Italy	JUN 78	1.2	13.1	12.2	12.4
West Germany	JUL 78	0.1	5.2	2.3	1.7	Canada	JUL 78	1.2	7.8	9.8	14.0
France	JUL 78	1.2	9.1	9.3	12.1						

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

## GNP <sup>1</sup>

### Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	1.8	3.2	4.0	7.4
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
France	78 I	1.8	4.1	1.4	7.4
United Kingdom	77 IV	-0.5	1.6	-1.1	-1.9
Italy	78 I	2.0	2.8	-0.8	8.2
Canada	78 II	1.2	4.7	3.7	4.7

<sup>1</sup> Seasonally adjusted.

## RETAIL SALES

### Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	May 78	-0.9	3.1	1.9	5.5
Japan	Apr 78	4.0	9.9	4.3	24.8
West Germany	Jun 78	1.6	2.6	3.3	-3.2
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	Jul 78	2.5	1.5	6.3	10.4
Italy	Mar 78	3.6	3.2	5.5	21.1
Canada	Jun 78	1.4	4.1	4.5	2.2

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## FIXED INVESTMENT <sup>1</sup>

### Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	3.6	3.0	7.4	15.1
Japan	78 I	0.9	1.1	-0.4	3.6
West Germany	78 I	-0.5	0.7	1.6	-2.1
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	78 I	1.3	1.6	9.7	5.2
Italy	78 I	2.3	1.1	-19.6	9.4
Canada	78 II	10.6	6.5	6.1	49.9

<sup>1</sup> Seasonally adjusted.

## WAGES IN MANUFACTURING <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
United States	Jun 78	0.5	7.6	7.6	7.2
Japan	Apr 78	0.3	16.1	8.2	10.3
West Germany	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	May 78	0.5	16.4	20.6	54.9
Italy	May 78	3.5	20.4	15.5	13.6
Canada	May 78	0.9	10.9	7.1	5.7

<sup>1</sup> Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

<sup>2</sup> Average for latest 3 months compared with that for previous 3 months.

## MONEY MARKET RATES

		Percent Rate of Interest				
Representative rates	Latest Date		1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Commercial paper	Sep 6	8.07	5.80	7.54	7.78
Japan	Call money	Sep 8	4.38	4.88	4.13	4.25
West Germany	Interbank loans (3 months)	Sep 6	3.65	4.03	3.58	3.68
France	Call money	Sep 8	7.38	8.25	8.00	7.62
United Kingdom	Sterling interbank loans (3 months)	Sep 6	9.30	6.56	10.16	9.58
Canada	Finance paper	Sep 6	8.80	7.50	8.19	8.68
Eurodollars	Three-month deposits	Sep 6	8.81	6.26	8.09	8.28

	Latest Month	Average Annual Growth Rate Since			
		Percent Change from Previous		1 Year 3 Months	
		Month	1970	Earlier	Earlier
United States	May 78	0.4	9.4	5.0	8.3
Japan	Jul 78	1.2	11.7	27.0	39.1
West Germany	Jun 78	1.7	11.5	12.9	-4.0
France	Apr 78	3.4	12.1	17.9	36.2
United Kingdom	Jul 78	3.7	11.8	20.4	23.8
Italy	Apr 78	-0.6	10.9	9.6	6.7
Canada	May 78	1.8	8.4	0.3	3.8

## EXPORT PRICES National Currency

	Latest Month	Average Annual Growth Rate Since			
		Percent Change from Previous		1 Year 3 Months	
		Month	1970	Earlier	Earlier
United States	May 78	0.4	9.4	5.0	8.3
Japan	Jul 78	-5.8	3.8	-4.3	-8.8
West Germany	Jun 78	0.7	3.9	-0.1	4.9
France	Apr 78	0.9	9.4	8.9	21.0
United Kingdom	Jul 78	0.5	15.1	9.4	11.3
Italy	Apr 78	-0.6	15.4	5.7	-1.6
Canada	May 78	-0.2	9.3	7.0	6.0

## IMPORT PRICES National Currency

	Latest Month	Average Annual Growth Rate Since			
		Percent Change from Previous		1 Year 3 Months	
		Month	1970	Earlier	Earlier
United States	May 78	-0.3	12.8	5.4	6.8
Japan	Jul 78	-6.6	5.8	-20.9	-22.7
West Germany	Jun 78	-1.6	3.0	-5.9	-12.5
France	Apr 78	-2.2	9.3	0.2	-1.6
United Kingdom	Jul 78	-0.1	17.4	1.8	8.2
Italy	Apr 78	-0.7	18.9	4.7	-8.3
Canada	Apr 78	1.7	8.7	13.1	1.9

## OFFICIAL RESERVES

	Billion US \$				
	Latest Month		1 Year 3 Months		
	End of	Billion US \$	Jun 1970	Earlier	Earlier
United States	Jun 78	18.9	14.5	19.2	19.2
Japan	Aug 78	29.2	4.1	17.8	27.7
West Germany	Jul 78	41.1	8.8	35.1	41.3
France	Apr 78	10.6	4.4	10.0	10.2
United Kingdom	May 78	17.3	2.8	10.0	21.4
Italy	Jun 78	13.2	4.7	9.7	10.6
Canada	Jul 78	4.6	9.1	5.0	4.6

## CURRENT ACCOUNT BALANCE <sup>1</sup>

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States <sup>2</sup>	78 I	-6,954	-6,954	-4,158	-2,796
Japan	Jul 78	2,050	10,879	4,630	6,249
West Germany	Jul 78	-868	2,831	1,406	1,425
France	78 I	-84	-84	-1,628	1,543
United Kingdom	78 I	-803	-803	-896	94
Italy	77 III	2,390	N.A.	-2,028	N.A.
Canada	78 I	-1,273	-1,273	-1,484	212

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> Seasonally adjusted.

## BASIC BALANCE <sup>1</sup>

### Current Account and Long-Term Capital Transactions

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States					
Japan	Jul 78	650	6,231	3,513	2,718
West Germany	Jul 78	-881	1,915	-2,363	4,278
France	78 I	-863	-863	-1,889	1,025
United Kingdom	78 I	-326	-326	543	-869
Italy	77 III	2,520	N.A.	-2,083	N.A.
Canada	78 I	-668	-668	-584	-84

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

## EXCHANGE RATES

### Spot Rate

As of 8 Sep 78

	US \$ Per Unit	Percent Change from			
		1 Year		3 Months	
		19 Mar 73	Earlier	Earlier	25 Aug 78
Japan (yen)	0.0052	40.26	40.26	13.26	0.17
West Germany (Deutsche mark)	0.5006	16.05	16.05	4.94	-0.67
France (franc)	0.2289	12.33	12.33	5.40	-0.55
United Kingdom (pound sterling)	1.9360	11.16	11.16	5.75	-0.67
Italy (lira)	0.0012	5.20	5.20	2.76	-0.50
Canada (dollar)	0.8630	-7.32	-7.32	-3.40	-0.79

## TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>

As of 8 Sep 78

	Percent Change from			
	1 Year		3 Months	
	19 Mar 73	Earlier	Earlier	25 Aug 78
United States	-12.59	-12.59	-3.18	0.53
Japan	34.20	34.20	12.11	0.42
West Germany	-0.67	-0.67	0.45	-0.12
France	-7.53	-7.53	0.71	0.02
United Kingdom	-3.97	-3.97	2.01	-0.20
Italy	-10.67	-10.67	-1.82	0.08
Canada	-11.40	-11.40	-4.81	-0.71

<sup>1</sup> Weighting is based on each listed country's trade with 14 other industrialized countries to which it exports and imports. The 14 countries are: Australia, Canada, France, Germany, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Sweden, Switzerland, Taiwan, and the United Kingdom.

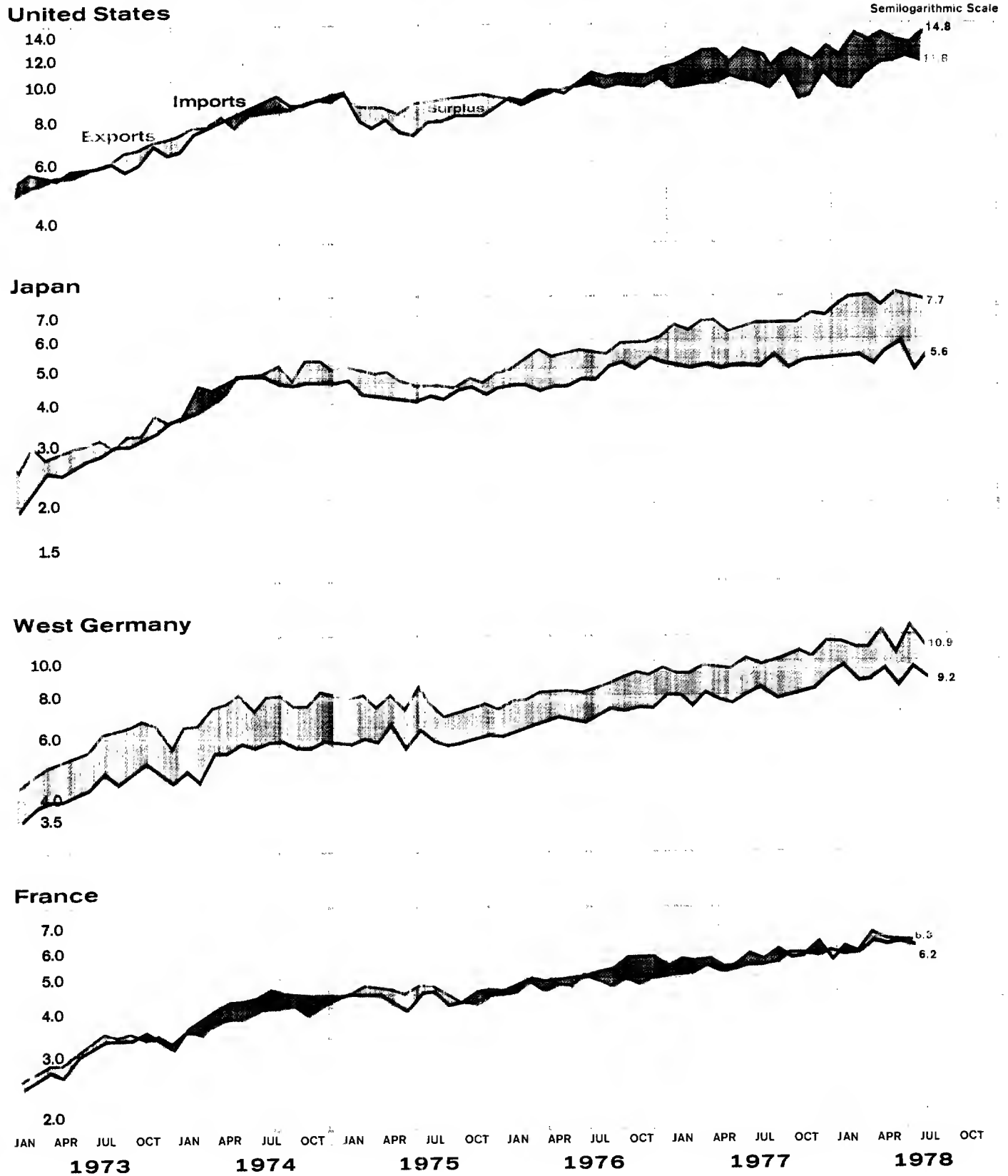
Developed Countries: Direction of Trade <sup>1</sup>						
	Exports to (f.o.b.)					
	World	Big Seven	Other OECD	OPEC	Communist	Other
UNITED STATES						
1975 .....	107.65	46.94	16.25	10.77	3.37	29.82
1976 .....	115.01	51.30	17.68	12.57	3.64	29.44
1977 .....	120.17	53.92	18.53	14.02	2.72	30.98
1978 .....						
1st Qtr .....	30.94	13.65	4.60	3.76	1.00	7.93
Apr .....	12.06	5.40	1.68	1.38	0.42	3.17
JAPAN						
1975 .....	55.73	16.56	6.07	8.42	5.16	15.87
1976 .....	67.32	22.61	8.59	9.27	4.93	17.84
1977 .....	81.11	28.02	9.73	12.03	5.32	26.01
1978 .....						
1st Qtr .....	22.11	7.83	2.39	3.35	1.32	7.22
Apr .....	7.89	2.80	0.80	1.19	0.57	2.53
WEST GERMANY						
1975 .....	91.70	28.33	36.44	6.78	8.81	11.05
1976 .....	103.63	33.44	41.86	8.25	8.72	11.04
1977 .....	119.28	39.01	48.00	10.78	8.59	12.90
1978 .....						
1st Qtr .....	32.45	11.17	13.05	2.76	1.97	3.50
FRANCE						
1975 .....	52.87	20.00	15.50	4.90	3.13	8.61
1976 .....	57.05	22.49	16.15	5.08	3.23	8.75
1977 .....	65.00	25.90	18.19	5.97	3.00	11.94
1978 .....						
1st Qtr .....	18.49	7.66	5.07	1.57	0.66	3.53
Apr .....	6.74	2.82	1.90	0.56	0.28	1.18
UNITED KINGDOM						
1975 .....	44.03	12.55	16.59	4.55	1.56	8.64
1976 .....	46.12	14.03	17.53	5.13	1.39	7.92
1977 .....	57.44	16.99	22.56	6.78	1.63	9.48
1978 .....						
1st Qtr .....	16.86	5.09	6.27	2.03	0.55	2.92
Apr .....	5.75	1.73	2.19	0.74	0.18	0.91
ITALY						
1975 .....	34.82	15.61	7.86	3.72	2.46	4.67
1976 .....	36.96	17.41	8.69	4.23	2.18	3.96
1977 .....	45.04	20.92	10.20	5.85	2.45	5.62
1978 .....						
1st Qtr .....	10.80	5.25	2.37	1.37	0.48	1.33
CANADA						
1975 .....	33.84	26.30	1.73	0.71	1.20	2.00
1976 .....	40.18	32.01	2.03	0.81	1.25	2.09
1977 .....	42.98	34.77	2.13	0.94	1.06	4.08
1978 .....						
1st Qtr .....	10.75	8.78	0.55	0.23	0.22	0.97
Apr .....	4.20	3.44	0.16	0.08	0.07	0.45

<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

Developed Countries: Direction of Trade <sup>1</sup>						
	Billion US \$					
	Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Communist	Other
UNITED STATES						
1975 .....	103.42	49.81	8.83	18.70	0.98	25.08
1976 .....	129.57	60.39	9.75	27.17	1.16	31.09
1977 .....	156.70	70.48	11.08	35.45	1.22	38.47
1978						
1st Qtr .....	43.14	20.39	3.51	8.15	0.47	10.62
Apr .....	15.42	7.54	1.27	2.73	0.18	3.70
JAPAN						
1975 .....	57.85	14.93	6.08	19.40	3.36	12.05
1976 .....	64.89	17.58	7.78	21.88	2.91	14.72
1977 .....	71.33	18.87	7.93	24.33	3.41	16.79
1978						
1st Qtr .....	18.32	5.04	2.06	6.46	0.87	3.89
Apr .....	6.28	1.64	0.74	2.01	0.36	1.53
WEST GERMANY						
1975 .....	76.28	27.09	27.78	8.24	4.87	8.21
1976 .....	89.68	31.28	32.64	9.73	5.93	10.01
1977 .....	102.63	36.38	37.37	10.12	6.14	12.62
1978						
1st Qtr .....	28.24	10.11	10.88	2.32	1.39	3.54
FRANCE						
1975 .....	53.99	23.04	14.33	9.43	1.94	5.21
1976 .....	64.38	27.81	16.93	11.36	2.24	6.01
1977 .....	70.50	30.28	18.24	11.82	2.46	7.70
1978						
1st Qtr .....	19.76	8.58	5.40	3.05	0.64	2.09
Apr .....	6.79	3.02	1.84	1.00	0.23	0.70
UNITED KINGDOM						
1975 .....	53.35	18.47	18.52	6.91	1.68	7.67
1976 .....	55.56	19.66	18.81	7.29	2.08	7.65
1977 .....	63.29	24.02	21.34	6.31	2.40	9.22
1978						
1st Qtr .....	18.87	7.44	6.68	1.80	0.55	2.40
Apr .....	5.67	2.27	2.04	0.39	0.16	0.81
ITALY						
1975 .....	38.36	17.32	6.75	7.85	2.09	4.34
1976 .....	43.42	19.35	8.04	8.12	2.65	5.24
1977 .....	47.56	20.80	8.67	9.03	2.80	6.26
1978						
1st Qtr .....	11.26	5.03	2.10	2.18	0.51	1.44
CANADA						
1975 .....	38.59	29.78	1.70	3.43	0.32	2.02
1976 .....	43.05	33.55	1.82	3.48	0.38	2.56
1977 .....	44.67	35.67	1.77	3.05	0.33	3.85
1978						
1st Qtr .....	10.80	8.60	0.44	0.77	0.08	0.91
Apr .....	4.61	3.84	0.18	0.03	0.19	0.37

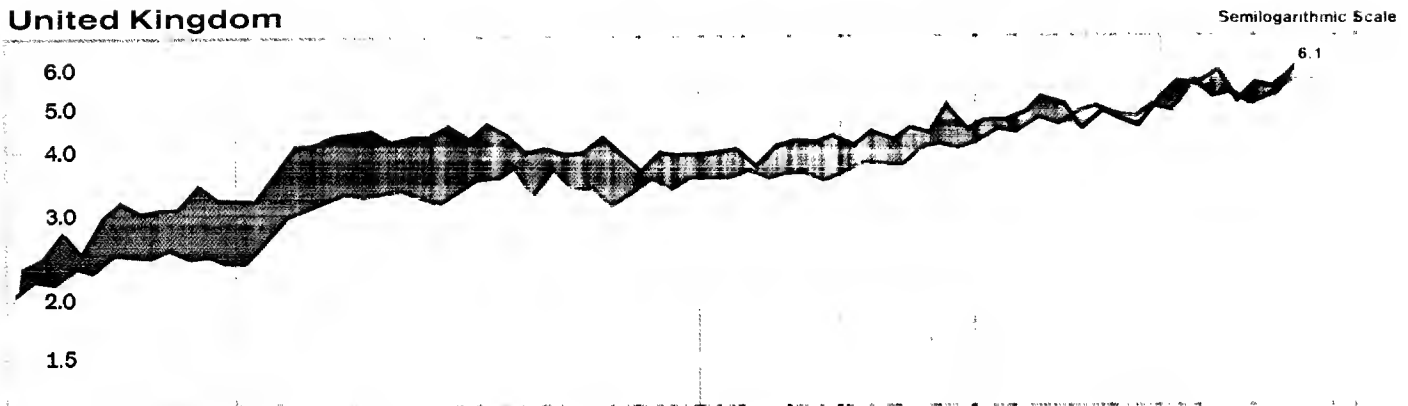
<sup>1</sup> Source: International Monetary Fund, Direction of Trade.

# FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

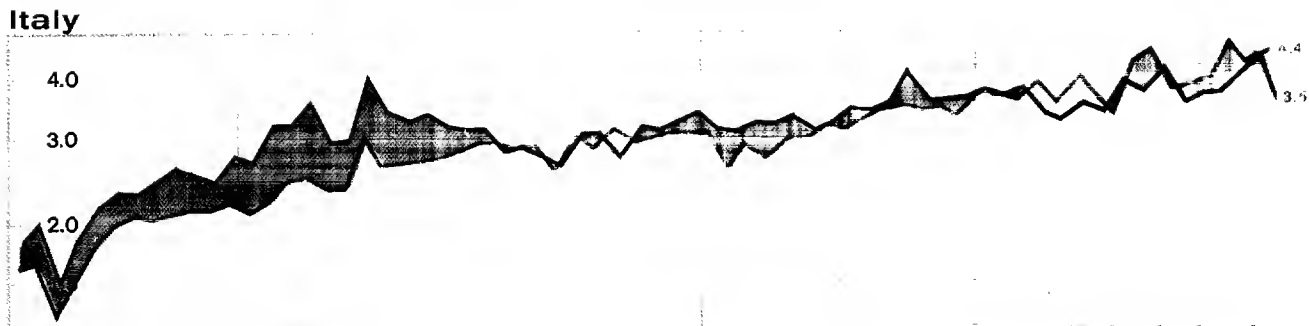




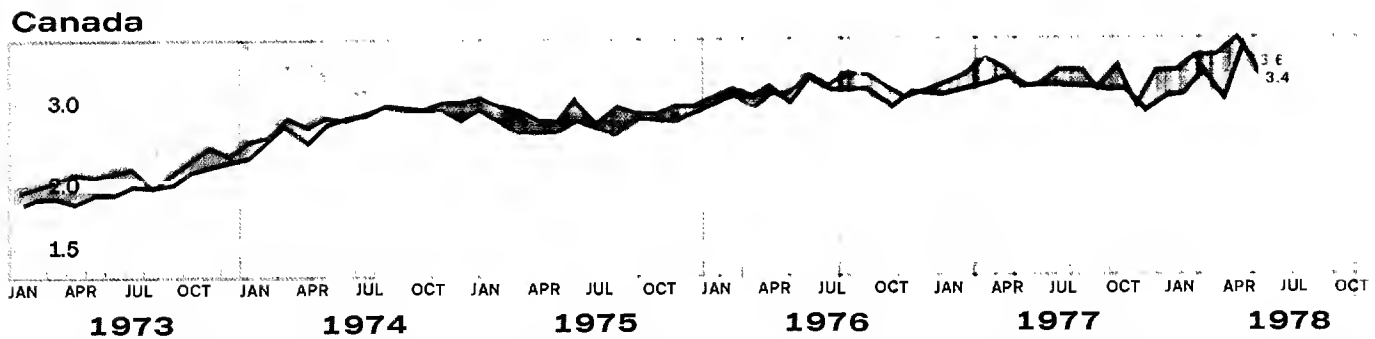
## United Kingdom



## Italy



## Canada



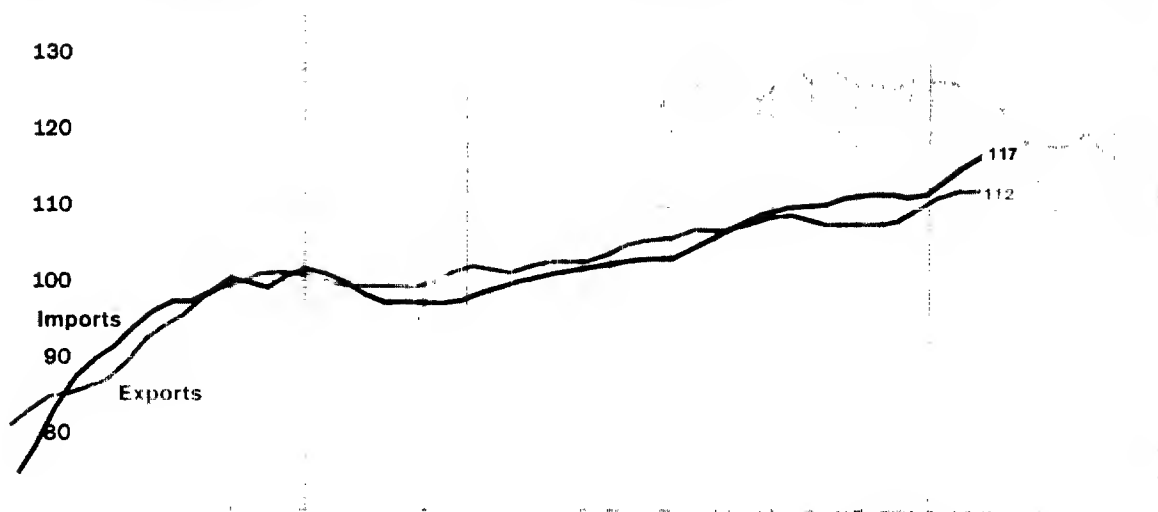
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)				LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1978	1977	CHANGE				1978	1977	CHANGE
United States	JUL 78	11,793	78,156	70,642	10.6%	United Kingdom	JUL 78	5,770	36,169	31,289	22.0%
		14,779	97,511	64,265	15.7%			6,055	39,607	34,595	15.1%
	Balance	-2,967	-19,355	-13,623	-5,732		Balance	-264	-1,639	-3,306	1,668
Japan	JUL 76	7,700	54,344	45,157	20.3%	Italy	JUN 76	4,412	24,750	21,545	14.9%
		5,556	37,967	35,555	6.8%			3,517	22,832	22,136	3.1%
	Balance	2,144	16,377	9,602	6,775		Balance	695	1,916	-591	2,508
West Germany	JUL 78	10,890	78,259	66,376	17.9%	Canada	MAY 78	3,621	18,983	17,435	8.9%
		9,203	64,604	55,039	17.4%			3,401	17,447	16,713	4.4%
	Balance	1,687	13,655	11,337	2,316		Balance	219	1,536	722	614
France	JUN 78	8,316	37,327	31,159	19.8%						
		6,215	37,180	32,828	13.3%						
	Balance	100	147	-1,670	1,617						

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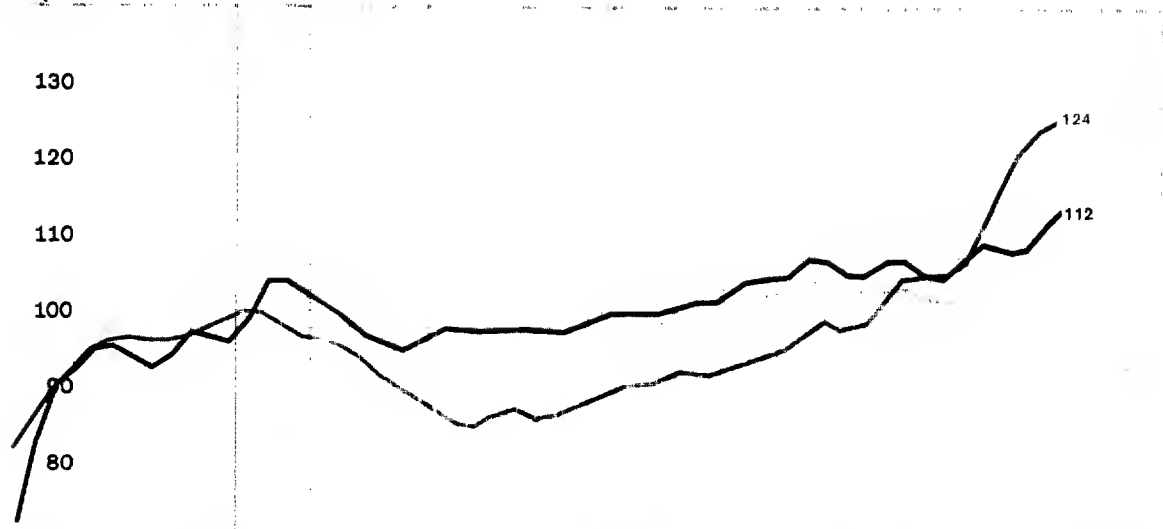
Approved For Release 2004/07/28 : CIA-RDP80T00702A000800050004-4  
**FOREIGN TRADE PRICES IN US \$<sup>1</sup>**

**United States**

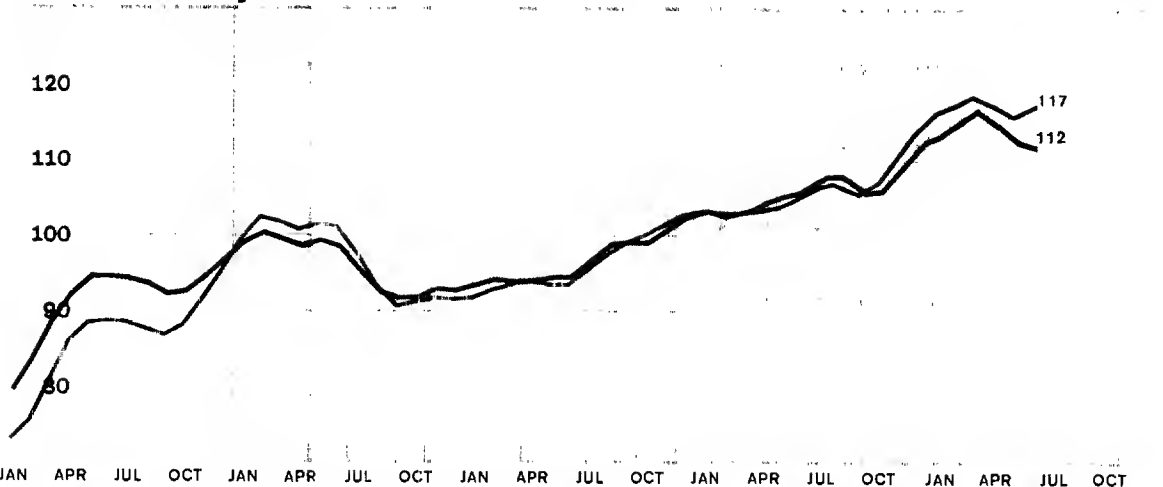
**INDEX: JAN 1975 = 100**



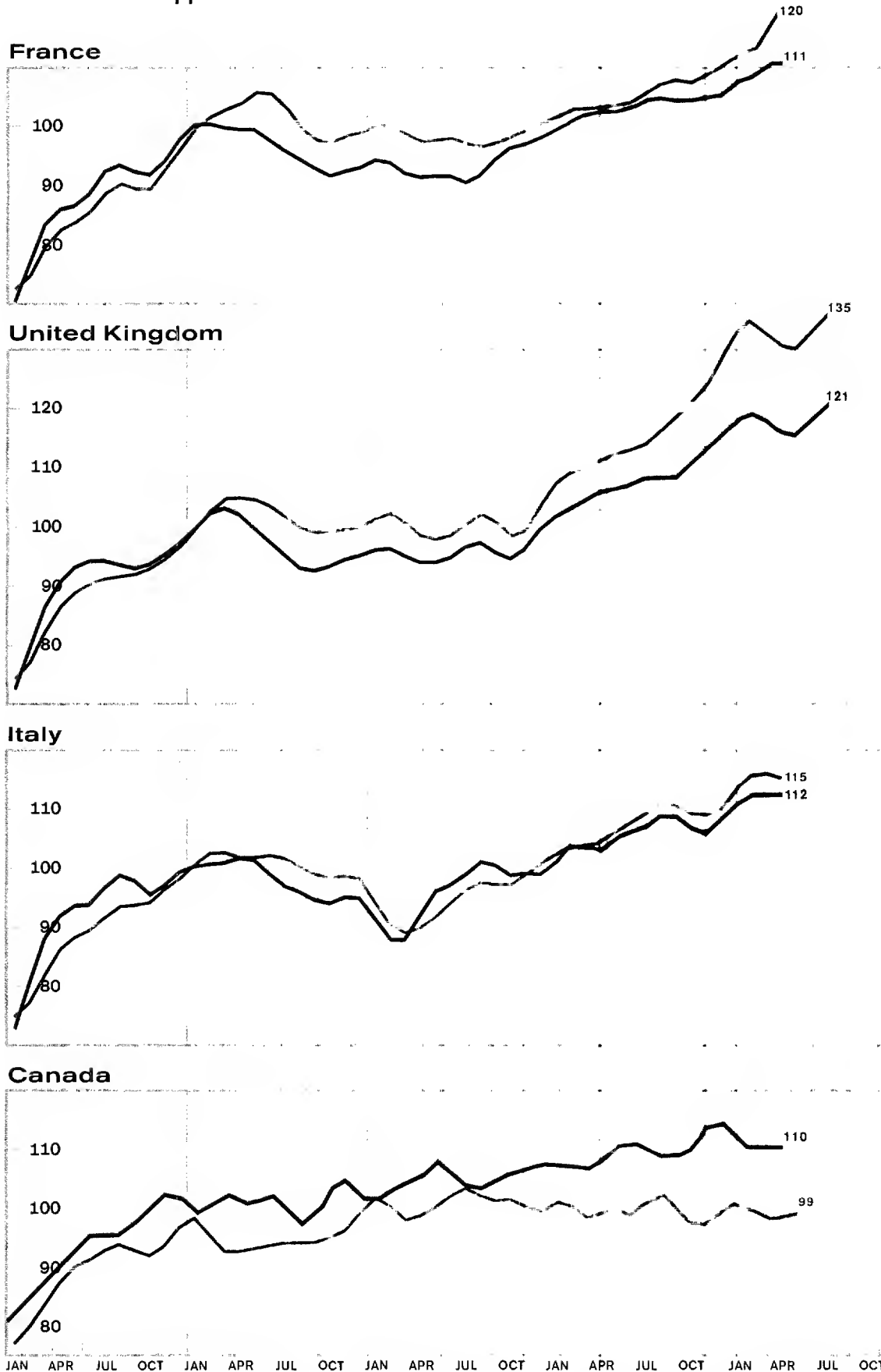
**Japan**



**West Germany**



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT



1974

1975

1976

1977

1978

### INDUSTRIAL PRODUCTION <sup>1</sup>

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
India	Mar 78	1.1	4.9	0.8	17.8
South Korea	Jun 78	-1.2	22.5	20.1	26.5
Mexico	Apr 78	13.1	6.7	14.1	8.6
Nigeria	78 I	6.8	11.0	0.2	29.9
Taiwan	Apr 78	1.5	15.3	17.4	-2.0

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

### MONEY SUPPLY <sup>1</sup>

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier <sup>2</sup>
Brazil	Mar 78	2.7	36.4	43.3	34.7
India	Feb 78	-0.6	13.7	15.4	18.9
Iran	Mar 78	9.9	29.3	22.5	51.7
South Korea	May 78	1.3	31.2	30.7	23.7
Mexico	May 78	3.9	20.8	33.0	24.9
Nigeria	Dec 77	-5.2	35.4	38.1	34.0
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Jan 78	2.7	13.2	13.7	21.5

<sup>1</sup> Seasonally adjusted.

<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

### CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Jun 78	4.1	28.3	38.0
India	May 78	0.3	7.4	1.6
Iran	May 78	-0.4	12.4	12.0
South Korea	Jul 78	1.4	14.6	14.7
Mexico	Jun 78	1.4	15.0	17.3
Nigeria	Dec 77	2.9	16.5	30.6
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Apr 78	1.0	8.6	8.8

### WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	May 78	0.6	8.0	-2.8
Iran	May 78	0.4	11.0	10.9
South Korea	Jul 78	0.4	15.8	11.7
Mexico	Jun 78	1.3	16.6	16.8
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	-0.2	9.5	6.4

### EXPORT PRICES US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Feb 78	0.4	14.0	1.5
India	Mar 77	-0.9	9.6	17.9
Iran	Jun 78	0	30.8	0
South Korea	78 I	0.7	8.7	7.7
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Mar 78	-0.7	11.2	3.8
Thailand	Dec 76	2.0	13.3	13.1

### OFFICIAL RESERVES

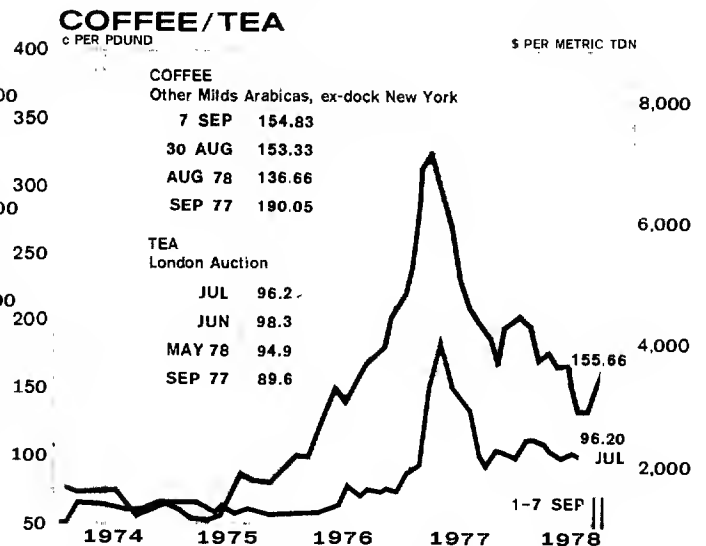
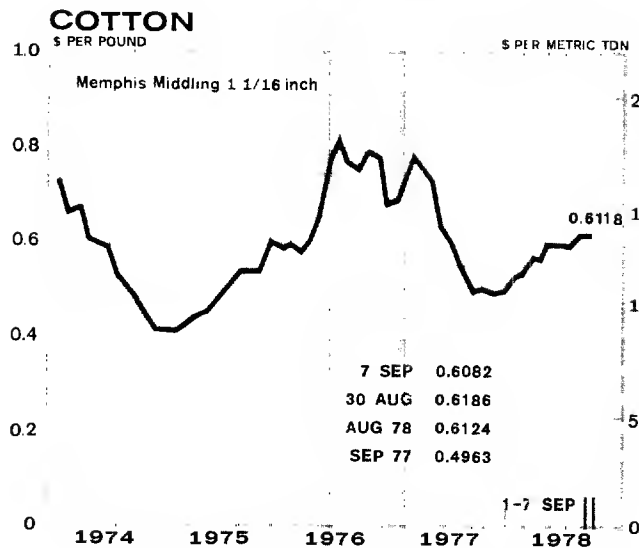
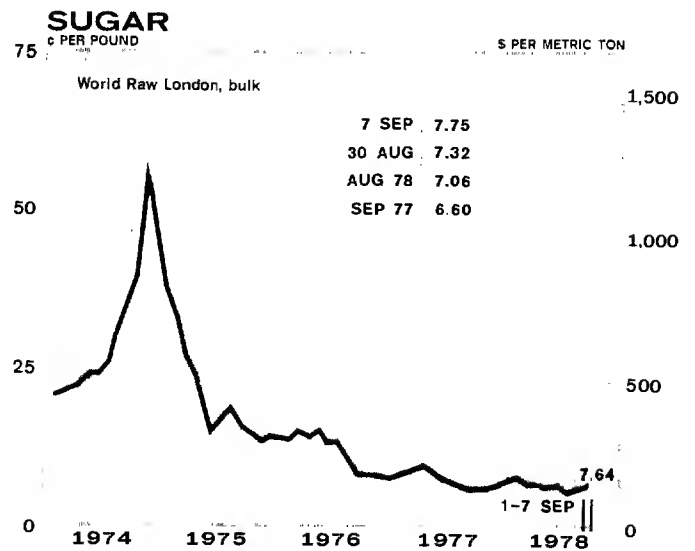
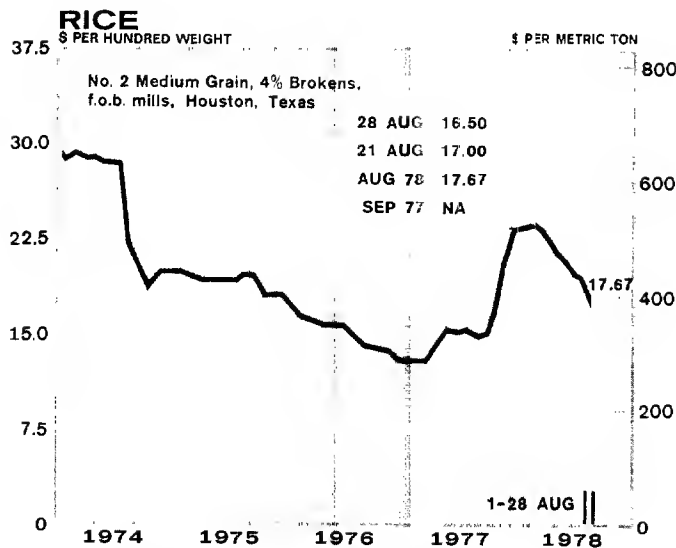
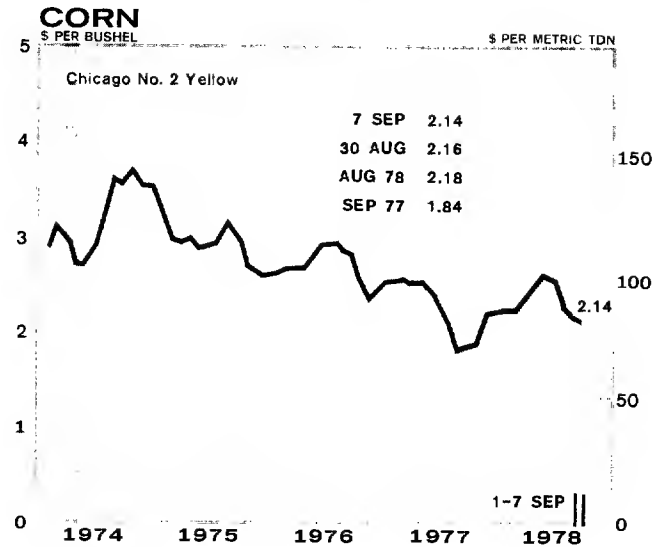
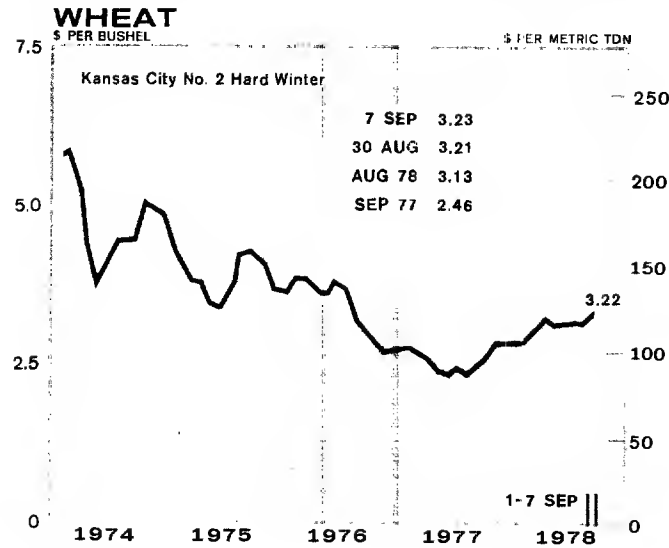
	Latest Month	Million US \$	Million US \$		
			Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Apr 78	6,064	1,006	4,134	5,411
Iran	Jun 78	12,068	208	11,025	12,483
South Korea	May 78	4,101	602	3,519	4,376
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	Jun 78	2,387	148	4,663	3,906
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	Jun 78	2,161	978	2,017	2,161

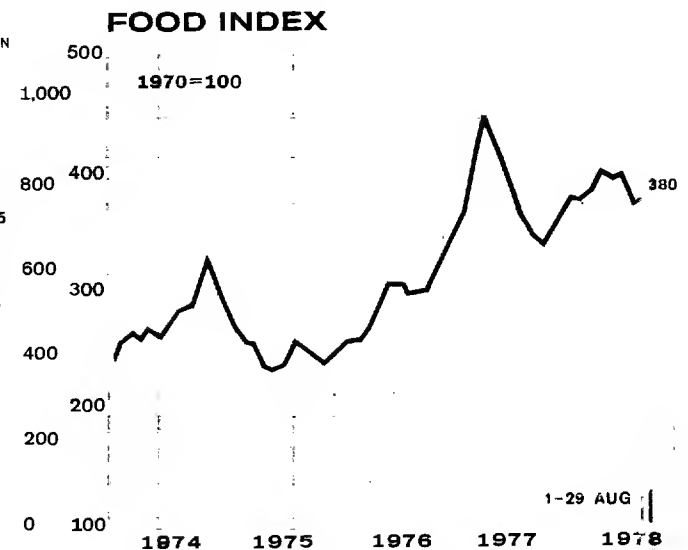
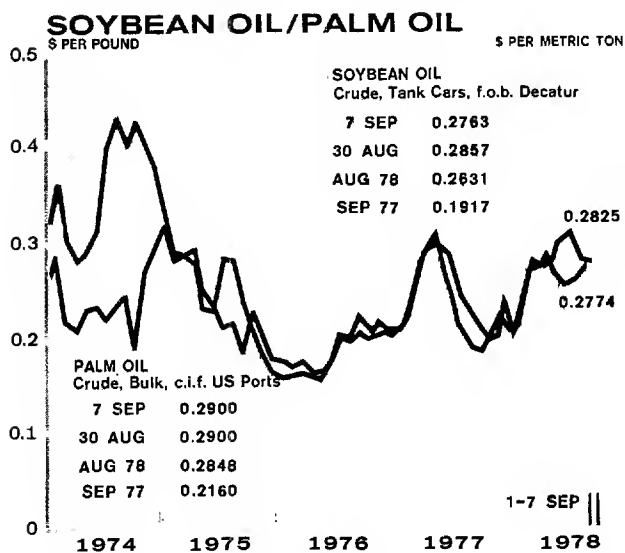
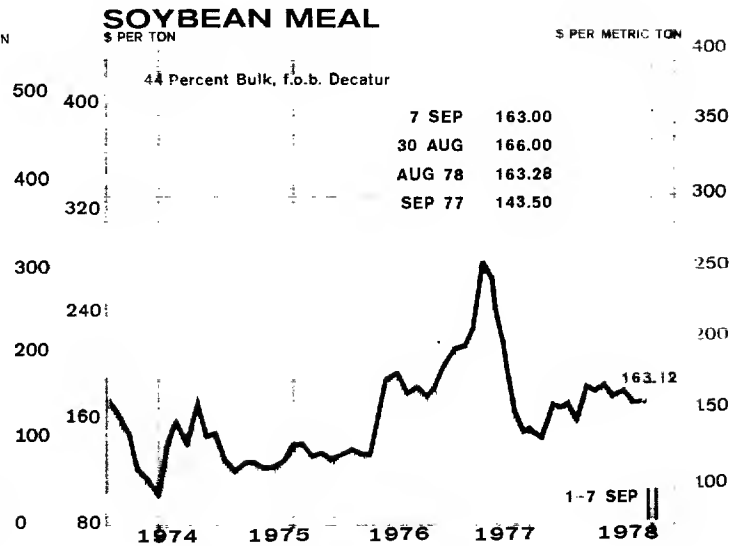
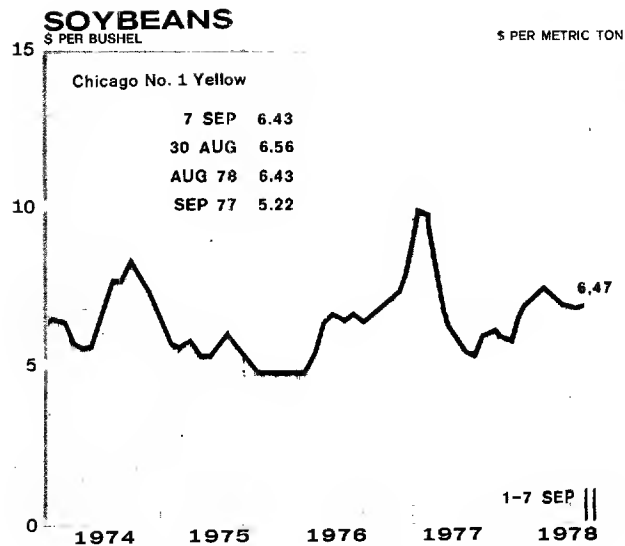
## FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
Latest Period			3 Months Earlier <sup>1</sup>	1 Year Earlier	1978	1977	Change
Brazil	May 78	Exports	84.8	-3.7	4,743	4,979	-4.7%
	May 78	Imports	26.6	1.4	5,110	4,939	3.5%
	May 78	Balance			-367	40	-407
India	Feb 78	Exports	4.0	12.3	912	917	-0.4%
	Feb 78	Imports	-39.6	-0.2	845	916	-7.7%
	Feb 78	Balance			67	1	66
Iran	Apr 78	Exports	-34.0	-8.2	7,615	8,012	-4.9%
	Mar 78	Imports	105.8	14.2	3,694	3,235	14.2%
	Mar 78	Balance			1,991	2,795	-804
South Korea	May 78	Exports	14.2	29.3	4,651	3,630	28.1%
	May 78	Imports	64.3	25.1	4,994	3,905	27.9%
	May 78	Balance			-343	-275	-68
Mexico	May 78	Exports	-2.2	6.5	2,037	1,773	14.9%
	May 78	Imports	11.6	25.7	2,340	1,868	25.3%
	May 78	Balance			-304	-95	-209
Nigeria	Apr 78	Exports	-55.4	-29.9	1,143	1,597	-28.4%
	Aug 77	Imports	56.1	80.1	2,535	1,640	54.6%
	Aug 77	Balance			716	979	-263
Taiwan	Apr 78	Exports	-27.6	32.3	3,365	2,543	32.3%
	Apr 78	Imports	-14.5	20.4	2,869	2,338	22.7%
	Apr 78	Balance			496	205	291
Thailand	Apr 78	Exports	27.0	3.2	1,277	1,221	4.6%
	Apr 78	Imports	-6.5	14.3	1,449	1,251	15.8%
	Apr 78	Balance			-172	-30	-141

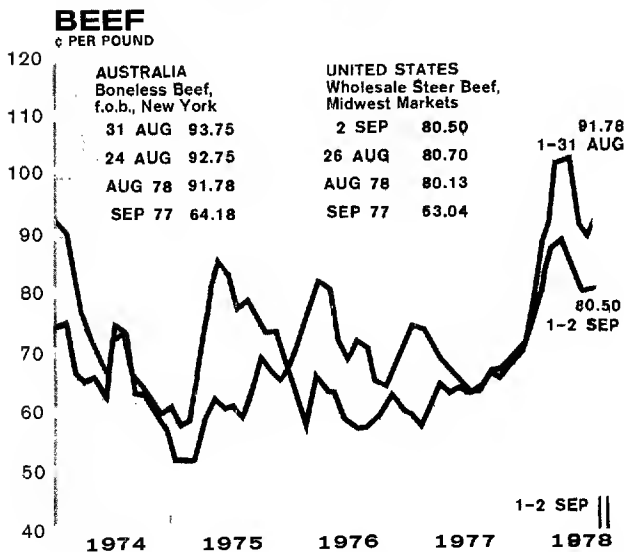
<sup>1</sup> At annual rates.

# **AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE**



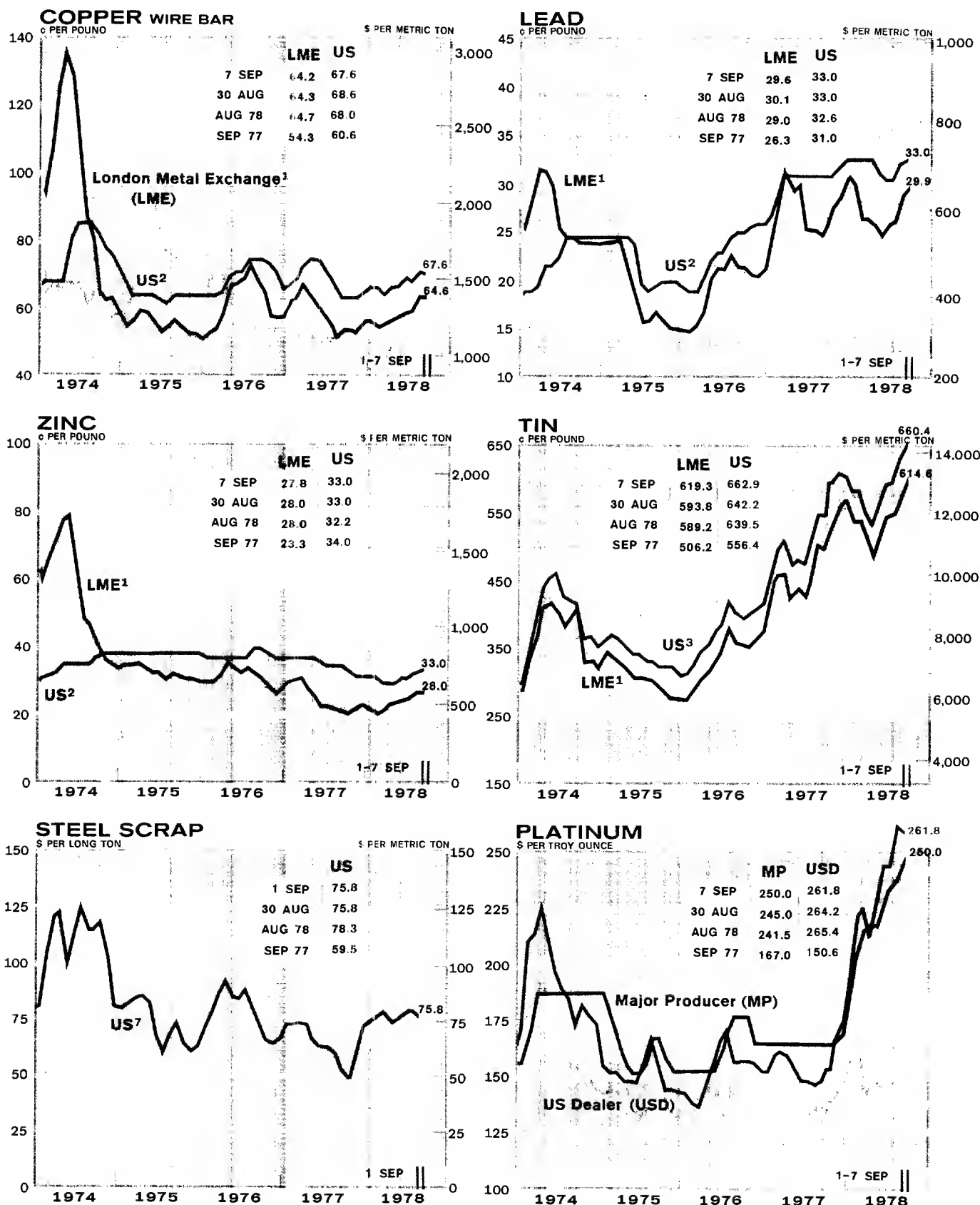


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NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 1-year moving averages of imports into industrialized countries.

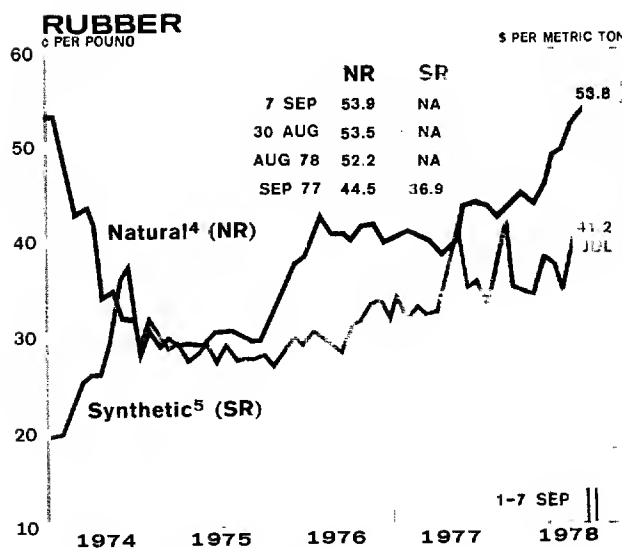
# **INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE**



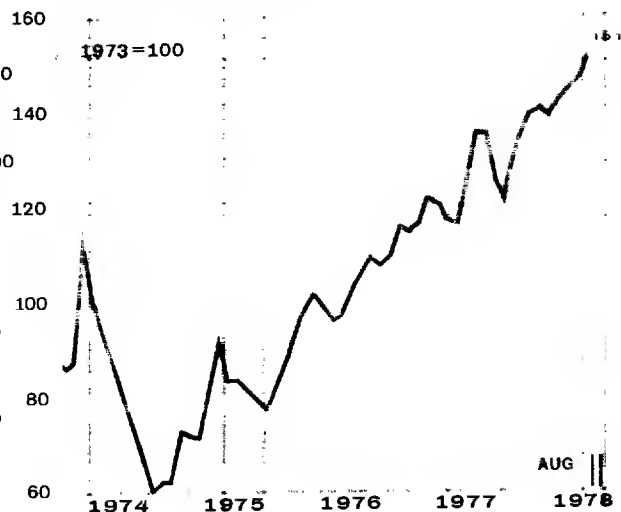


## SELECTED MATERIALS

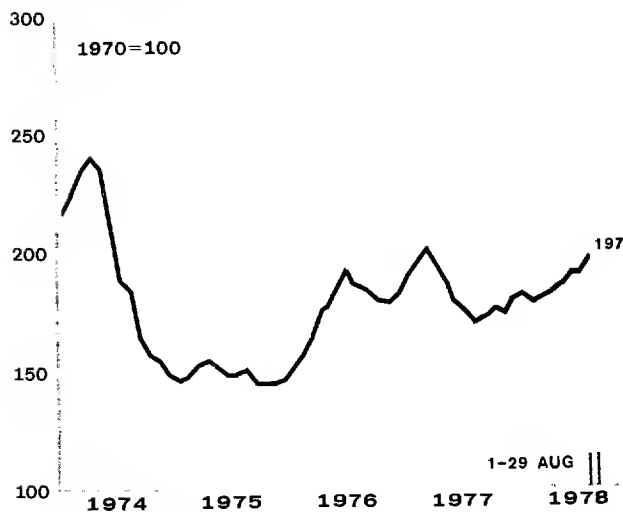
			CURRENT	MAR '78	SEP '77	SEP '76
ALUMINUM	Major US Producer	£ per pound	55.00	53.00	53.00	48.00
US STEEL	Composite	\$ per long ton	419.31	389.60	359.36	327.00
IRON ORE	Non-Bessemer Old Range	\$ per long ton	22.55	21.43	21.43	20.51
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	NA	NA	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	56.00	56.00	58.50	42.00
FERROCHROME	US Producer, 66-70 Percent	£ per pound	42.00	41.00	41.00	44.00
NICKEL	Composite US Producer	\$ per pound	2.07	2.06	2.16	2.24
MANGANESE ORE	48 Percent Mn	\$ per long ton	67.20	71.80	72.26	72.00
TUNGSTEN ORE	Contained Metal	\$ per metric ton	17,970.00	18,822.00	19,494.00	16,045.00
MERCURY	New York	\$ per 76 pound flask	158.00	155.17	124.29	116.90
SILVER	LME Cash	£ per troy ounce	552.13	525.95	453.91	428.96
GOLD	London Afternoon Fixing Price	\$ per troy ounce	205.30	183.66	149.52	114.14



## LUMBER INDEX<sup>6</sup>



## INDUSTRIAL MATERIALS INDEX



<sup>1</sup>Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

<sup>3</sup>As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

<sup>6</sup>This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs

<sup>7</sup>Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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